



The Economic Impact of Tourism in Raleigh, North Carolina

2014 Analysis



June 2015

Introduction and definitions

- I This study measures the economic impact of tourism in the Raleigh, N.C., area, defined as Wake County.
- I Visitors included those who stayed in overnight accommodations or travelers who came from a distance greater than 50 miles.
- I The impact of tourism includes direct spending, the indirect (supply-chain) effects, and induced (income) effects.
- I Impacts were measured in terms of employment, income, business sales, and tax revenues.



Headline Results



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Headline results

- I Tourism is an integral part of the Raleigh area economy, and the industry is making significant contributions to economic growth, generating business sales, employment, and tax revenues.
- I Visitors to Raleigh spent \$2.2 billion in 2014, which generated \$3.4 billion in total business sales, including indirect and induced impacts.
- I Tourism in Raleigh generated \$430 million in tax revenues in 2014, including \$219 million in state and local revenues.



Headline results



- I Including direct, indirect, and induced impacts, 34,013 jobs were sustained by visitors to Raleigh in 2014 with total income of \$1.1 billion.
- I Approximately 5.1% (1 in 19) of all jobs in Wake County were sustained by tourism.
- I An estimated 28% of tourism-supported jobs were in the food and beverage industry, 22% in recreation, 13% in lodging, and 11% in retail.

Key Trends in 2014



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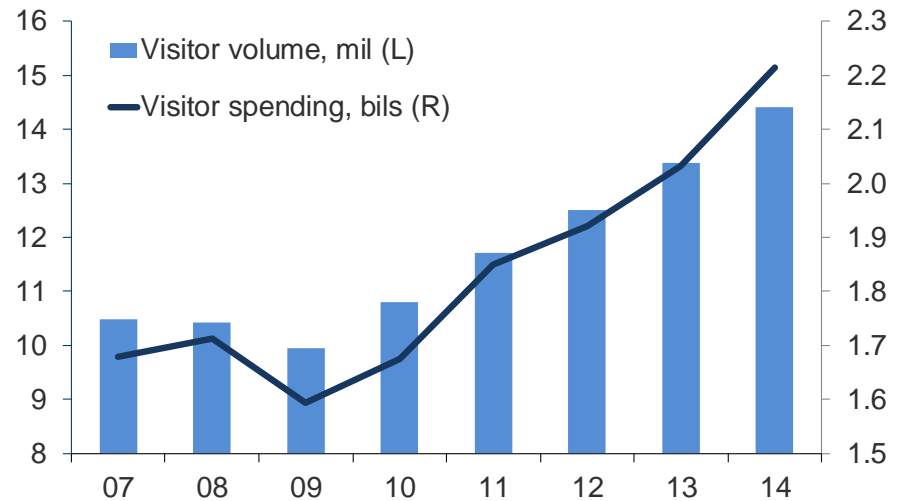
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Key themes for 2014

- I Visitor volume and spending in the Raleigh area grew in 2014, driven by job and income growth in the broader North Carolina and regional economy.
- I An estimated 14.4 million visitors (including day and overnight) spent a total of \$2.2 billion in 2014, increases of 7.7% and 8.9%, respectively, from 2013.

Visitor Volume and Spending

Wake County

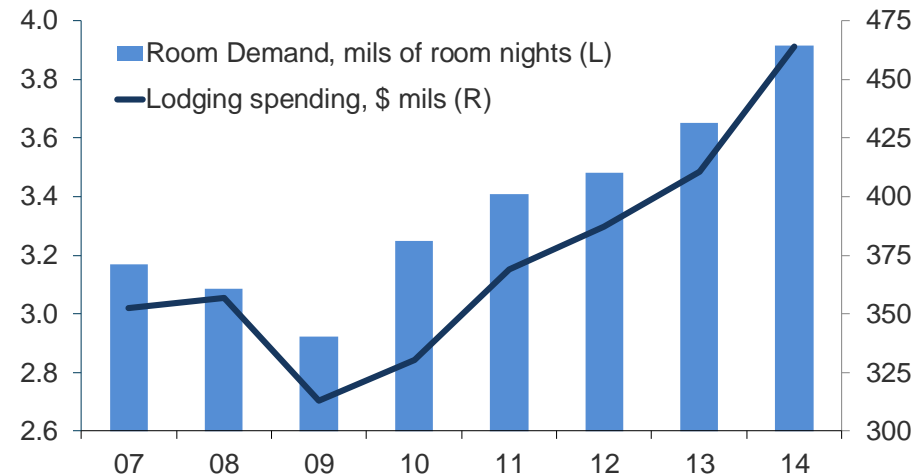


Sources: DKS, Tourism Economics

Key themes for 2014

- I Raleigh's lodging sector tightened further in 2014.
- I Room demand rose 7.2%, compared with a 0.5% increase in supply.
- I Strong demand growth boosted occupancy to 67.9%, up from 63.6%.
- I Rising occupancy drove room rates higher by 5.5%.
- I Strong demand and rising prices boosted total lodging spending 13.1% versus 2013.

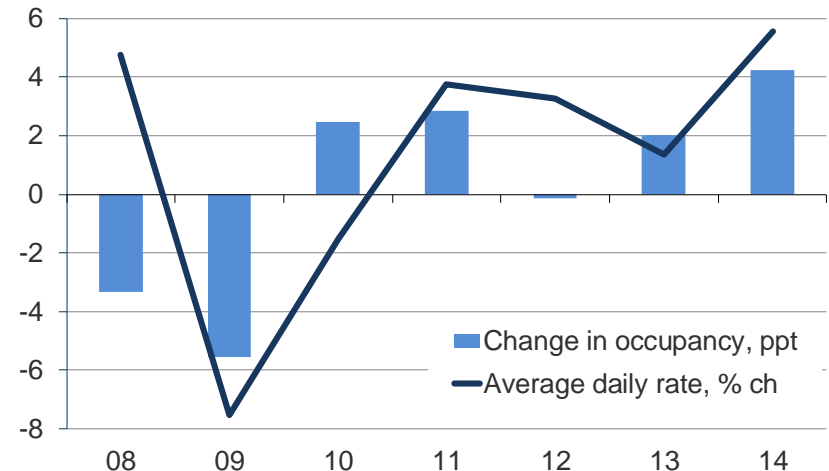
Lodging Demand Is Rising in Wake County



Sources: DKS, STR, Tourism Economics

Tightening Occupancy Boosted Prices

Wake County



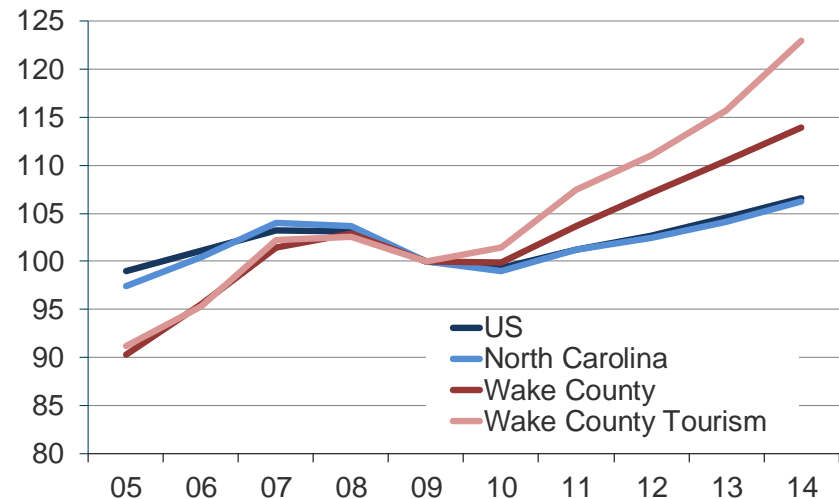
Source: Smith Travel Research

Key themes for 2014

- I Employment growth in Wake County is outpacing that of the state and nation.
- I Within the county, tourism employment is expanding faster than overall job growth. Tourism employment is 23% higher than in 2009, versus 14% for the county overall.
- I Tourism has added more than 900 jobs per year since 2009, average annual growth of 4.2%.

Tourism Jobs Outpace the Broader Recovery

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

Visitors and Spending

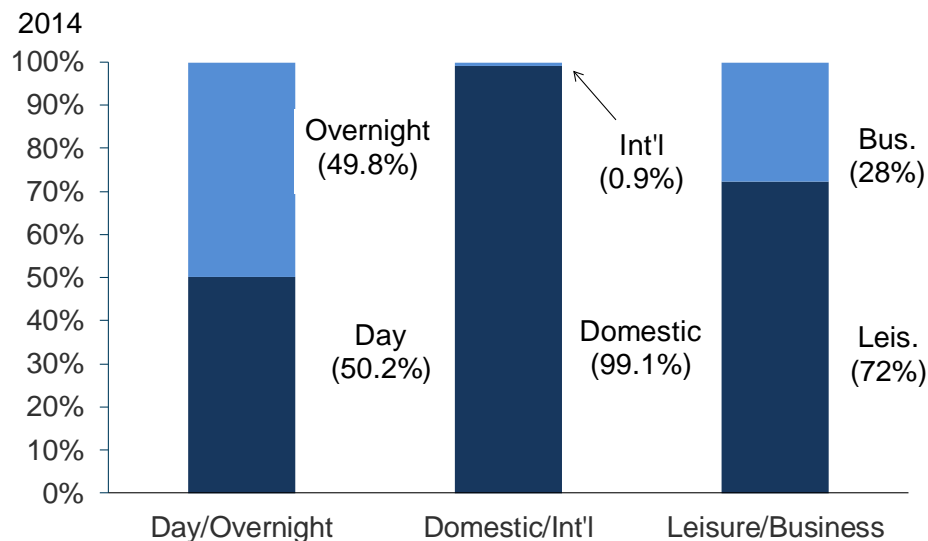


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Visitor details in 2014

Visitor Characteristics



Sources: DKS, Tourism Economics

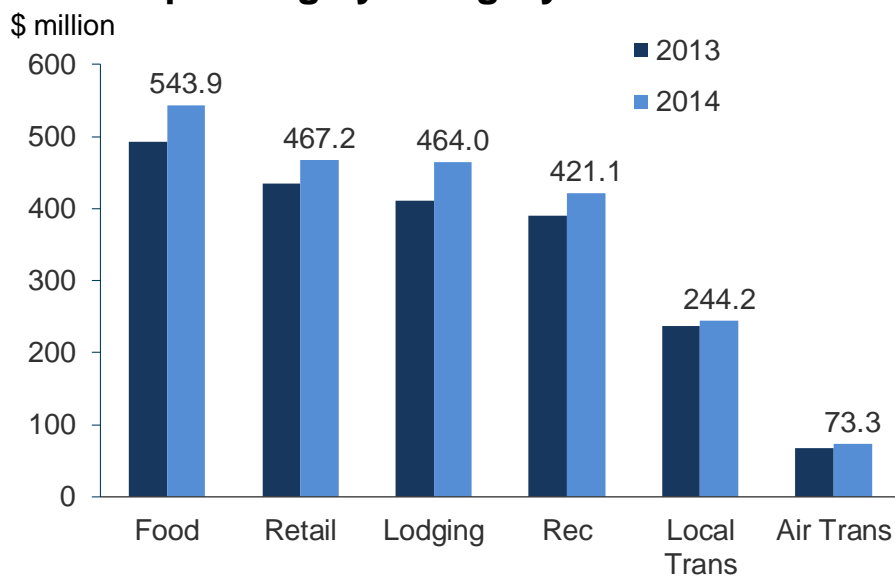
Note: Day/Overnight and Bus./Leisure segments are domestic only

- I Raleigh hosted a total of 14.4 million visitors in 2014.
- I Most visitors came for leisure (72%), and visitation was equally split between day and overnight.
- I International visitors accounted for about 1% of visitor volume.
- I The average visitor spending was \$77 per person per day, 2.7% higher than in 2013.

Composition of tourism spending

- I Food and beverage accounted for most visitor spending with \$544 million, followed by retail at \$467 million, \$464 million in lodging spending, and \$421 million in recreation spending in 2014.
- I More than a quarter of visitor spending was on food and beverage, and retail and lodging account for similar shares of nearly 22% each.

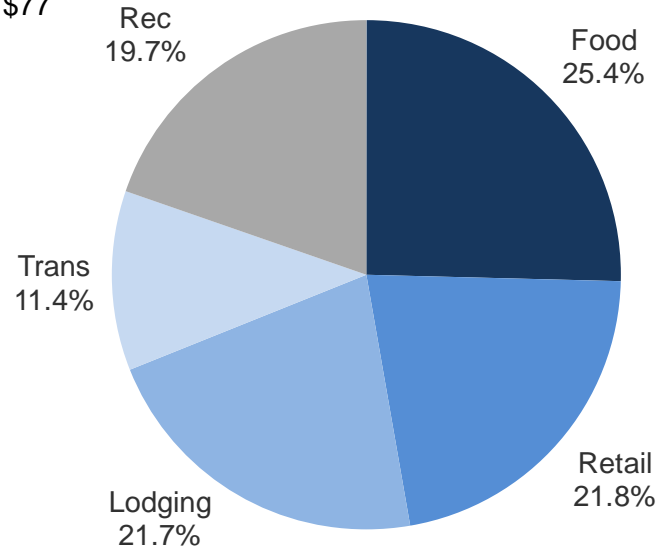
Visitor Spending by Category



Source: Tourism Economics

Visitor Spending Profile for 2014

Avg per person per day = \$77

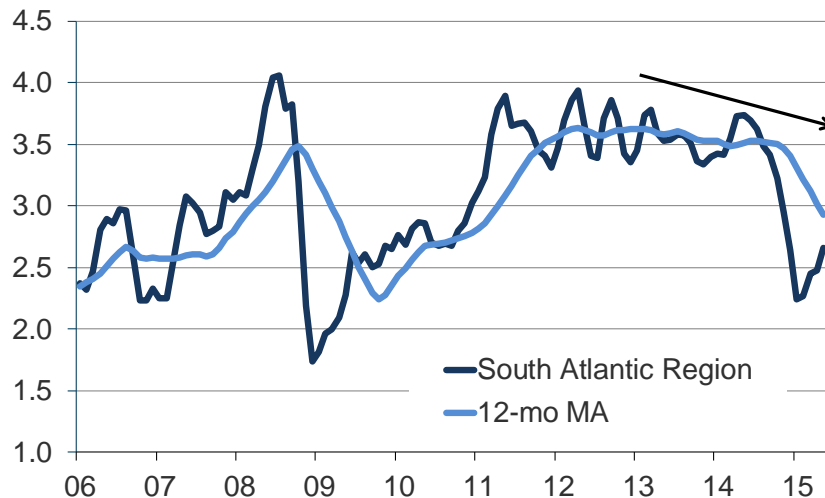


Source: Tourism Economics

Lower fuel prices free up resources

Fuel Prices Are On a Two-Year Decline

South Atlantic Region average gasoline price, dollars per gallon



Source: Energy Information Administration

- I Fuel prices have been on a two-year slide, freeing up resources to spend in other categories.
- I Low gas prices also boost consumer confidence, encouraging more trips and visitor spending that otherwise might not occur.
- I Oxford Economics forecasts oil prices to remain under \$80 per barrel through 2018, implying an average price in Raleigh under \$3.00 per gallon for an extended period.

Visitor spending trends

- I Visitor spending increased 8.9% in 2014, with the lodging and food and beverage industries leading. Lodging spending grew 13.1% as both prices and room-night demand increased.
- I Visitor spending on food and beverage and retail increased 10.3% 7.5%, respectively, changes that were stronger than those of a year earlier, reflecting stronger momentum.

| Visitor Spending By Category | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| (US\$ Million) | | | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2013-14 % ch |
| Food and beverage | 378.5 | 394.8 | 437.5 | 466.6 | 493.2 | 543.9 | 10.3% |
| Retail | 381.7 | 390.2 | 405.8 | 419.8 | 434.5 | 467.2 | 7.5% |
| Lodging | 313.2 | 330.2 | 369.0 | 387.1 | 410.4 | 464.0 | 13.1% |
| Transportation (local) | 156.0 | 176.9 | 218.7 | 224.5 | 237.0 | 244.2 | 3.0% |
| Recreation | 317.6 | 327.8 | 353.5 | 357.6 | 390.5 | 421.1 | 7.8% |
| Air | 47.7 | 54.3 | 64.3 | 65.8 | 66.8 | 73.3 | 9.8% |
| Total | 1,594.7 | 1,674.2 | 1,848.9 | 1,921.3 | 2,032.3 | 2,213.7 | |
| % change | | 5.0% | 10.4% | 3.9% | 5.8% | 8.9% | |

Economic Impacts

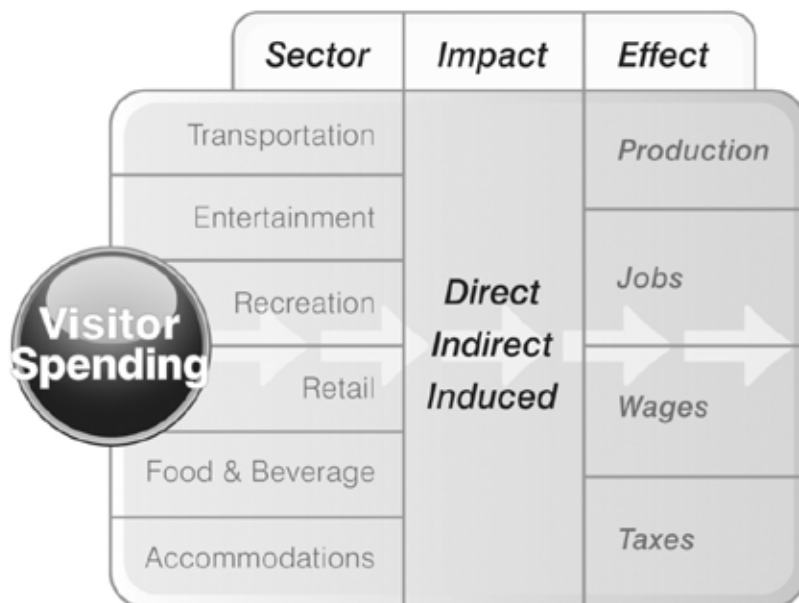


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How visitor spending generates impact

- I Travelers 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.
- I Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.



- I Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism spend those incomes in the Wake County economy.

Tourism sales

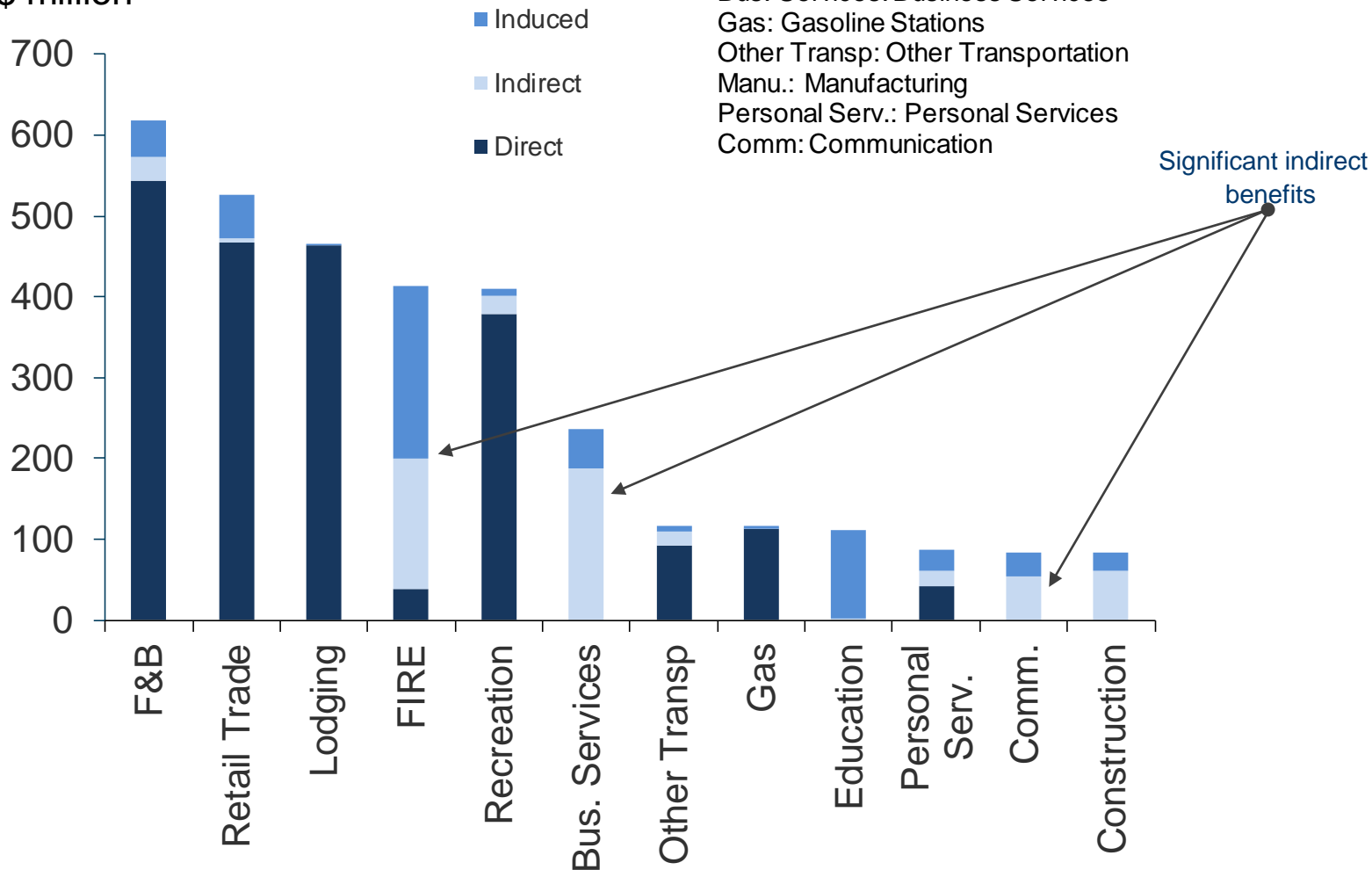
- I Including indirect and induced business sales, tourism generated more than \$3.4 billion in revenue in 2014.

| Tourism Sales | | | | |
|------------------------------------|----------------|--------------|--------------|----------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 3.1 | 1.3 | 4.3 |
| Construction and Utilities | - | 61.1 | 21.8 | 82.9 |
| Manufacturing | - | 12.5 | 6.0 | 18.5 |
| Wholesale Trade | - | 15.0 | 29.7 | 44.7 |
| Air Transport | 73.3 | 3.0 | 5.0 | 81.4 |
| Other Transport | 91.9 | 18.0 | 7.3 | 117.3 |
| Retail Trade | 467.2 | 4.4 | 54.2 | 525.7 |
| Gasoline Stations | 112.9 | 0.2 | 3.9 | 117.0 |
| Communications | - | 54.5 | 29.1 | 83.6 |
| Finance, Insurance and Real Estate | 39.4 | 159.8 | 213.7 | 412.9 |
| Business Services | - | 187.0 | 49.5 | 236.5 |
| Education and Health Care | - | 1.8 | 110.3 | 112.1 |
| Recreation and Entertainment | 378.9 | 23.1 | 8.2 | 410.2 |
| Lodging | 464.0 | 0.4 | 0.3 | 464.7 |
| Food & Beverage | 543.9 | 29.7 | 44.8 | 618.4 |
| Personal Services | 42.1 | 19.9 | 25.2 | 87.2 |
| Government | - | 20.9 | 8.0 | 28.8 |
| TOTAL | 2,213.7 | 614.4 | 618.1 | 3,446.2 |

Tourism sales

Tourism Sales by Industry

\$ million

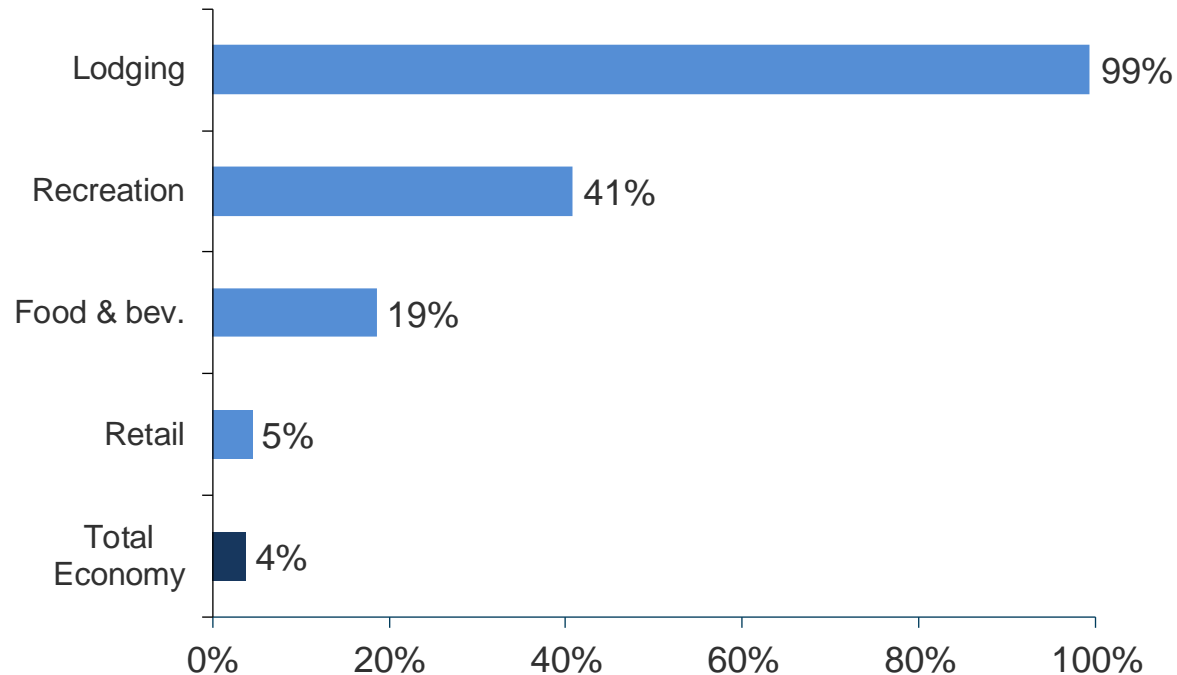


* Direct sales include retail cost of goods sold

Tourism share of key industry employment

Tourism Employment Intensity by Industry

Direct only



Source: Tourism Economics

- I Tourism is a significant part of several industries – tourism directly supports nearly all of lodging employment, more than 40% of recreation, and 19% of food and beverage employment.

Tourism employment details

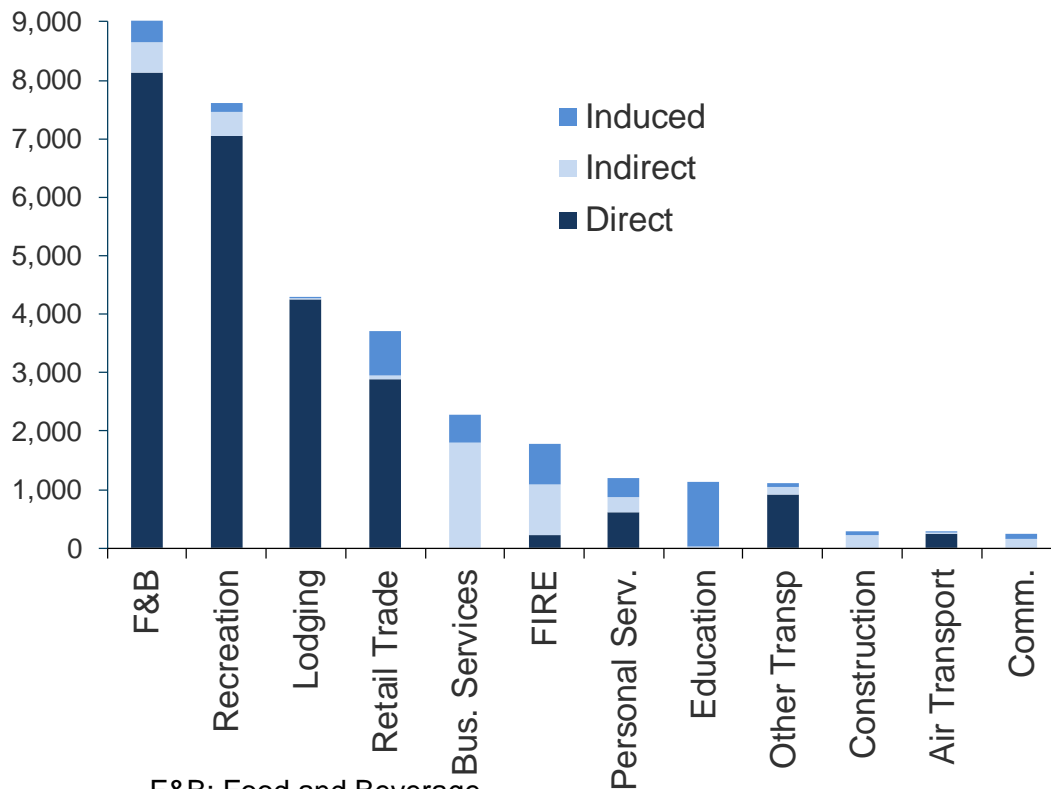
| Tourism Employment | | | | |
|------------------------------------|---------------|--------------|--------------|---------------|
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 13 | 6 | 19 |
| Construction and Utilities | - | 224 | 66 | 290 |
| Manufacturing | - | 46 | 14 | 60 |
| Wholesale Trade | - | 79 | 156 | 234 |
| Air Transport | 248 | 10 | 17 | 275 |
| Other Transport | 910 | 143 | 59 | 1,111 |
| Retail Trade | 2,880 | 63 | 762 | 3,706 |
| Gasoline Stations | 150 | 2 | 36 | 188 |
| Communications | - | 166 | 73 | 240 |
| Finance, Insurance and Real Estate | 219 | 873 | 680 | 1,772 |
| Business Services | - | 1,794 | 489 | 2,283 |
| Education and Health Care | - | 26 | 1,103 | 1,129 |
| Recreation and Entertainment | 7,039 | 417 | 148 | 7,604 |
| Lodging | 4,262 | 4 | 2 | 4,268 |
| Food & Beverage | 8,136 | 509 | 786 | 9,431 |
| Personal Services | 617 | 248 | 331 | 1,197 |
| Government | - | 158 | 50 | 208 |
| TOTAL | 24,461 | 4,775 | 4,777 | 34,013 |

- I The tourism industry supported 34,013 jobs or 5.3% of employment (1-in-19 jobs) in the Raleigh area in 2014, including indirect and induced impacts.

Tourism employment summary

- I As a labor intensive collection of services, tourism-related industries are significant Raleigh area employers.
- I The more than 34,000 jobs supported by Raleigh area tourism span every sector of the economy, either directly or indirectly.
- I The most significant indirect impacts are in business services and finance, real estate and insurance.

Tourism Employment by Industry



F&B: Food and Beverage
 FIRE: Finance, Insurance, Real Estate
 Bus. Services: Business Services
 Gas: Gasoline Stations
 Other Transp.: Other Transportation
 Personal Serv.: Personal Services
 Wholesale Tr.: Wholesale Trade

Tourism personal income

| Tourism Labor Income (Compensation) | | | | |
|-------------------------------------|--------------|--------------|--------------|----------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 0.1 | 0.1 | 0.2 |
| Construction and Utilities | - | 18.8 | 5.6 | 24.4 |
| Manufacturing | - | 3.3 | 1.0 | 4.3 |
| Wholesale Trade | - | 7.2 | 14.3 | 21.5 |
| Air Transport | 13.2 | 0.5 | 0.9 | 14.7 |
| Other Transport | 53.7 | 7.5 | 3.0 | 64.2 |
| Retail Trade | 80.9 | 2.1 | 25.5 | 108.5 |
| Gasoline Stations | 6.5 | 0.1 | 1.6 | 8.1 |
| Communications | - | 12.8 | 5.6 | 18.4 |
| Finance, Insurance and Real Estate | 8.4 | 32.1 | 28.0 | 68.5 |
| Business Services | - | 99.6 | 26.8 | 126.3 |
| Education and Health Care | - | 0.9 | 61.4 | 62.3 |
| Recreation and Entertainment | 151.0 | 10.7 | 3.3 | 165.0 |
| Lodging | 137.1 | 0.1 | 0.1 | 137.3 |
| Food & Beverage | 177.3 | 11.0 | 17.7 | 206.0 |
| Personal Services | 27.7 | 13.2 | 15.8 | 56.7 |
| Government | - | 12.8 | 3.1 | 15.9 |
| TOTAL | 655.8 | 232.7 | 213.9 | 1,102.4 |

I Employees in the Raleigh area earned \$1.1 billion as a result of visitor activity in 2014.

Tourism tax generation

| Tourism-Generated Tax Tax Revenues 2014, Millions | |
|---|--------------|
| | Amount |
| Federal | 211.4 |
| Personal Income | 63.2 |
| Corporate | 26.5 |
| Indirect business | 19.4 |
| Social Security | 102.4 |
| State | 108.6 |
| Personal Income | 26.7 |
| Corporate | 3.2 |
| Sales | 59.1 |
| Social Security | 1.5 |
| Other Taxes and Fees | 18.0 |
| Local | 110.1 |
| Sales | 24.9 |
| Lodging | 20.3 |
| Property | 61.0 |
| Other Taxes and Fees | 4.0 |
| TOTAL | 430.1 |

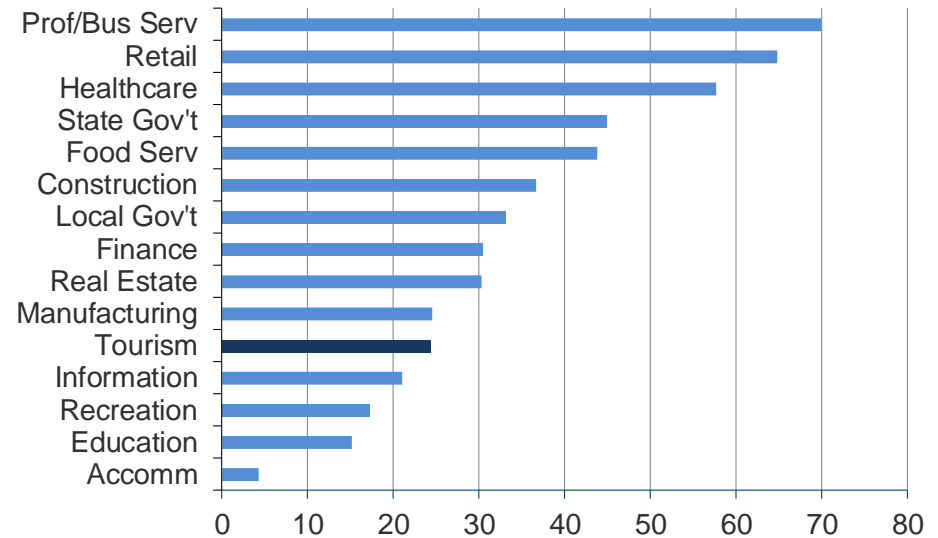
- I Tourism generated \$430 million in taxes in 2014.
- I Tourism-driven state and local tax proceeds of \$219 million helped offset the average household tax burden by \$627 per household.
- I Local taxes generated by tourism included property, sales, and lodging tax revenues and amounted to \$110 million in 2014.

Wake County tourism in context

- I The Raleigh area has a large and diverse economy, with research, business services, healthcare, finance, and real estate as key drivers.
- I Taken as an industry, with 24,461 direct jobs, tourism is a key employer in the Raleigh area, on par with manufacturing, and larger than information and private education.

Greater Raleigh Jobs by Industry

Wake County, thousands, 2014



Sources: BEA, BLS, Tourism Economics

Methodology and Background



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Why quantify the tourism economy?

- I By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development.
- I The destination can also carefully monitor its successes and future needs.
- I In order to do this, tourism must be measured in the same categories as other economic sectors – i.e. tax generation, employment, wages, and gross domestic product.

Why is this a challenge?

- I Most economic sectors such as financial services, insurance, or construction are easily defined within a region's economic statistics.
- I Tourism is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- I Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents, museums, and theme parks.

Methods and data sources

- Estimates of visitor expenditures in Wake County were based on several sources:
 - Smith Travel Research (STR) data on hotel room demand, supply, and revenues.
 - County and City level tax data on sales and hotel occupancy receipts.
 - Visitor profile and volume, and spending estimates from D.K. Shifflet & Associates, a national tourism research firm.
 - Industry data on employment, wages and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.
- An IMPLAN input-output model was constructed for Wake 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.
- The primary source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis. This is more comprehensive than Bureau of Labor Statistics (ES202/QCEW) data because sole-proprietors do not require unemployment insurance and are not counted in the ES202 data.
- Gasoline price data were obtained from the U.S. Energy Information Administration.
- All images were provided by GRCVB/visitRaleigh.com

Description of spending categories

| Spend Category | Description |
|-----------------------|---|
| Lodging | Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels and similar establishments. |
| Recreation | Includes visitors spending within the arts, entertainment and recreation sub-sector. |
| Local transport | Includes visitor spending on local transport services such as taxis, limos, trains, rental cars, and buses. |
| Shopping | Includes visitor spending in all retail sub-sectors within the Wake County economy. |
| Service stations | Visitor spending on gasoline. Only the margin counts as local economic impact. |
| Second homes | Where applicable, spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Bureau. |
| Food and beverage | Includes all visitor spending at restaurants and bars. |



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