



The Economic Impact of Tourism in Huntington Beach, California

2018 Analysis
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Prepared for:



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

1. Introduction

Introduction and definitions

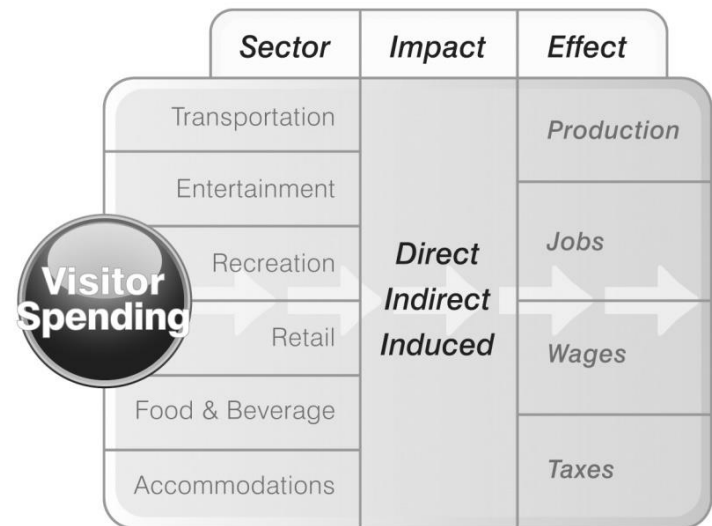
This study measures the economic impact of tourism in the City of Huntington Beach, California. Huntington Beach is the 4th largest city in Orange County with a population just over 200,000. The City offers a stock of nearly 2,500 hotel rooms on 23 properties. Huntington Beach accounts for 6.3% of the County population and about 4.4% of the hotel room inventory.

Key attractions in Huntington Beach include the City’s five public beaches, various shopping options, Huntington Beach Pier, the International Surfing Museum, Huntington Beach Art Center, and nearby regional destinations such as Disneyland and Legoland.

The economic impact of visitors and visitor spending in Huntington Beach is estimated based on survey research conducted by Lauren Schlau Consulting and direct spending estimated by CIC Research. Visitors to Huntington Beach include travelers who came for the day or stayed overnight and were not residents of Orange County or regular commuters. Impacts were measured in terms of business sales, jobs, income, and tax revenues generated.

Visitor spending flows through the local economy and generates indirect benefits through supply chain and income effects.

The total impact of tourism includes direct visitor spending, indirect impacts, and induced impacts. **Direct visitor spending** creates economic value in specific visitor-related sectors such as lodging, retail, and recreation. This supports a relative proportion of jobs, wages, taxes, and GDP within each sector. **Indirect benefits** accrue to those sectors that provide goods and services as inputs into production, such as food wholesalers, utilities, and financial or legal services. **Induced benefits** are generated when employees whose incomes are driven directly or indirectly by tourism, spend a portion of that income in the local regional economy.



2. Key Findings

Huntington Beach key findings

Huntington Beach visitor volume and spending expanded 7.0% and 13.3% respectively, in 2018. Since 2012, visitor spending growth in Huntington Beach has outpaced that of the state and Orange County overall.

Visitors to Huntington Beach spent \$565 million in 2018, which generated a total of \$736.4 million in total business sales, including indirect and induced impacts.

Tourism in Huntington Beach generated \$91 million in tax revenues, including over \$43 million in state and local revenues.

Including direct, indirect, and induced impacts, 6,921 jobs were sustained by visitors to Huntington Beach in 2018, with total income of \$253 million.

Approximately 6.4% (1 in 16) of all jobs in Huntington Beach were sustained by tourism.

Tourism plays a key role in the Huntington Beach economy.

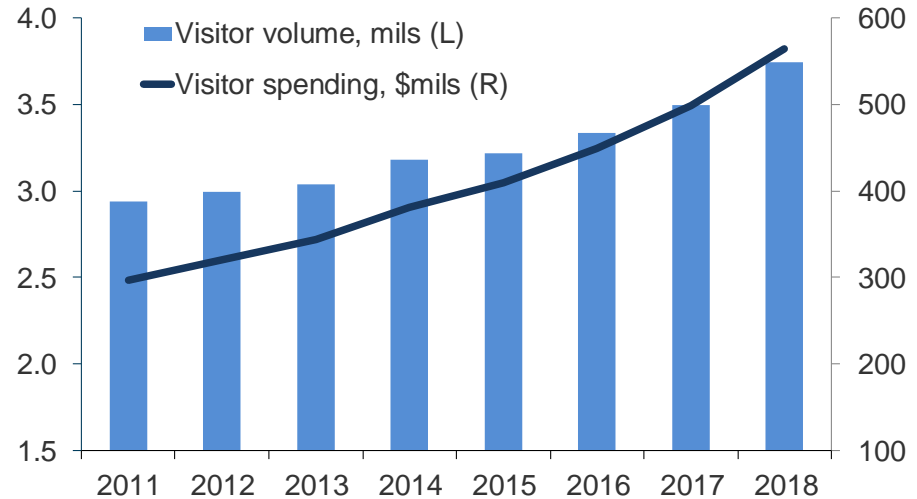


3. Huntington Beach Tourism Trends

Huntington Beach trends

The Huntington Beach visitation and visitor spending expansion continues.

Huntington Beach Visitor Volume and Spending



Sources: Lauren Schlau Consulting, CIC Research, Tourism Economics

Huntington Beach visitor volume and spending expanded in 2018, driven by employment and income growth in the region's key source markets, such as Arizona, Washington, Texas, and Nevada, and the rest of California.

An estimated 3.74 million visitors spent \$565 million in 2018, increases of 7.0% and 13.3%, respectively, from 2017.

International visitation is estimated at nearly 423,000, accounting for 11.3% of all visitation.

Huntington Beach Visitor Volume and Spending

	2013	2014	2015	2016	2017	2018
Visitor volume (mils)	3.04	3.18	3.22	3.34	3.50	3.74
% change	1.5	4.6	1.4	3.6	4.9	7.0
Visitor spending (\$mils)*	343.8	381.1	409.0	448.8	498.6	565.0
% change	7.2	10.8	7.3	9.7	11.1	13.3

*Note: includes the value of usage of second homes in Huntington Beach, consistent with the UN World Tourism Organization recommended methodology

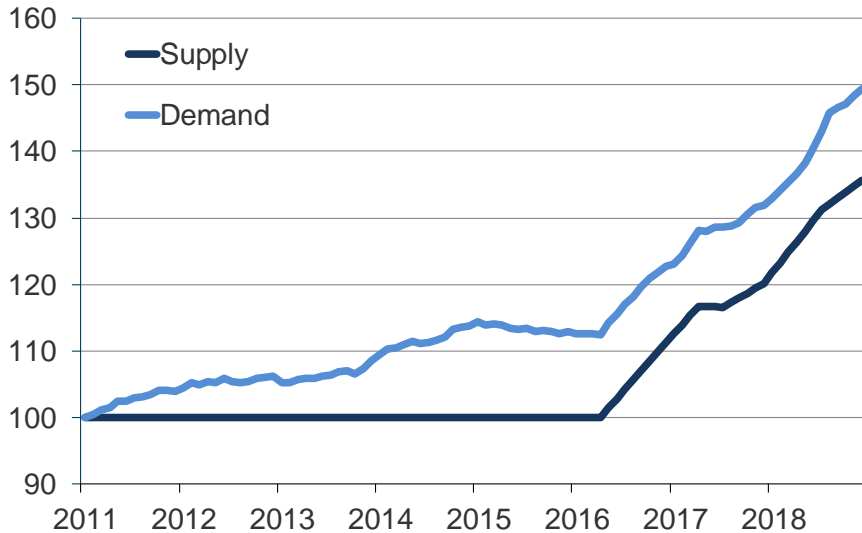
Huntington Beach trends

Room supply and demand are roughly balanced in Huntington Beach, although demand growth continues to outpace that of supply. Since 2011 demand has expanded 5.3% per year versus 4.5% annually for supply.

In 2018, both demand and supply expanded robustly, demand at 13.3% and supply at 12.9%. Overall, the balance between demand and supply is reflected in a relatively stable occupancy rate, which ticked up just 0.25 percentage points to 74.3% in 2018.

Both Demand and Supply are Expanding

Huntington Beach room demand and supply, indexed, Jan 2011 = 100



Sources: STR, Tourism Economics

Note: the above index measures change since January 2011

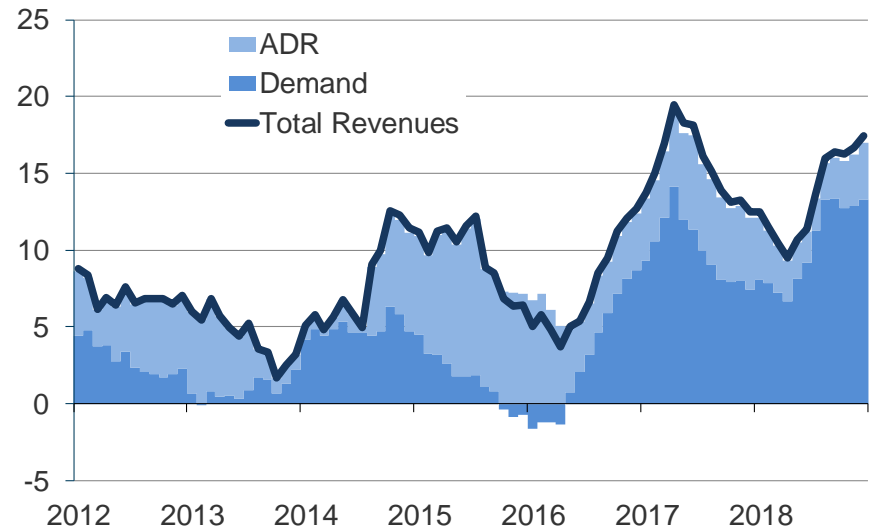
Demand drove revenues in 2018.

Since 2011, annual revenue growth has averaged 10.0%, driven roughly evenly between demand and price growth. In 2018, demand accounted for about three-quarters of revenue growth, with higher prices accounting for the rest.

In 2018, the average daily rate was \$233.60, up 3.7% from 2017. The higher prices helped to boost revenues 17.5%, the third consecutive year of double-digit growth.

Demand is Driving Revenue Growth

Contribution to revenue growth, % ch year ago



Sources: STR, Tourism Economics

Note: ADR is Average Daily Rate

Huntington Beach trends

Visitor spending in Huntington Beach is outpacing that of the state and Orange County overall.

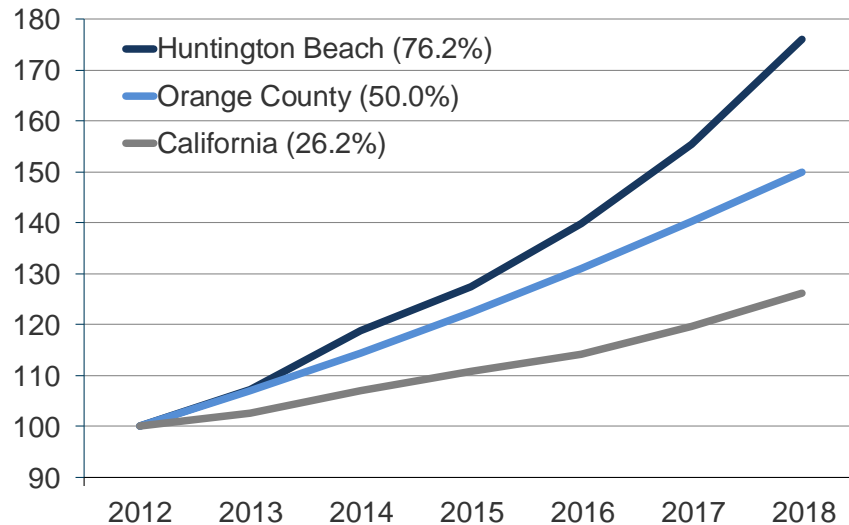
The industry is expanding in Orange County faster than at the state level, and Huntington Beach has outpaced both the state and County overall.

Since 2012, direct visitor spending in Huntington Beach has expanded at an average annual rate of 9.9%, compared with 7.0% for Orange County overall.

In cumulative terms, visitor spending was 76.2% higher in 2018 than it was in 2012 in Huntington Beach, compared with 50% for the County.

Visitor Spending Growth Trends

Visitor spending index 2012 = 100, cumulative % ch in parantheses



Sources: Visit California, CIC Research, Tourism Economics

4. Huntington Beach Visitors and Spending

Visitor segmentation - volume

Most visitors to Huntington Beach came for the day and came for leisure.

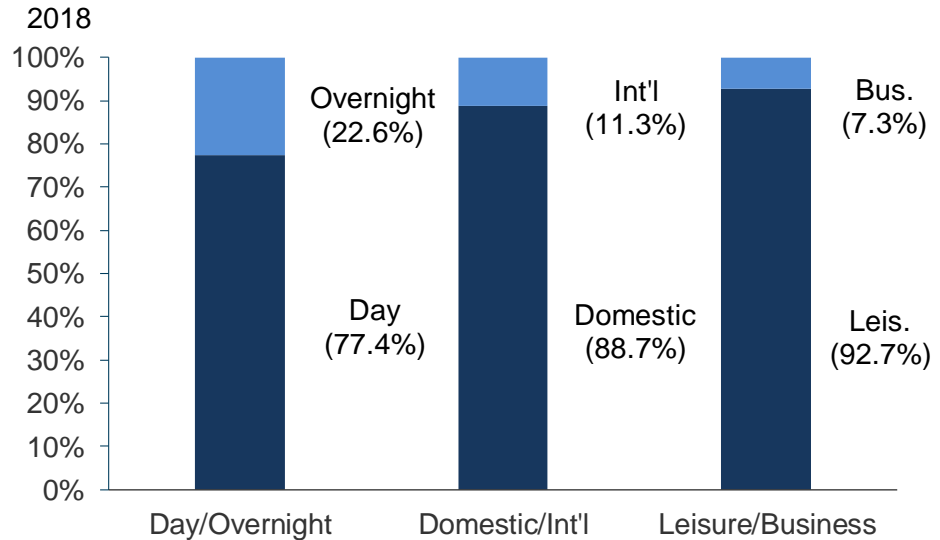
A total of 3.74 million visitors came to Huntington Beach in 2018.

Nearly 2.9 million visitors, 77.4% of the total, came for the day, while the balance, nearly 850,000 visitors, or 22.6%, stayed overnight.

International visitors amounted to 423,000 in 2018, accounting for 11.3% of total volume.

Most visitors to Huntington Beach came for leisure (92.7%), and 7.3% came for business.

Huntington Beach Visitor Characteristics



Sources: Lauren Schlau Consulting, CIC Research, Tourism Economics

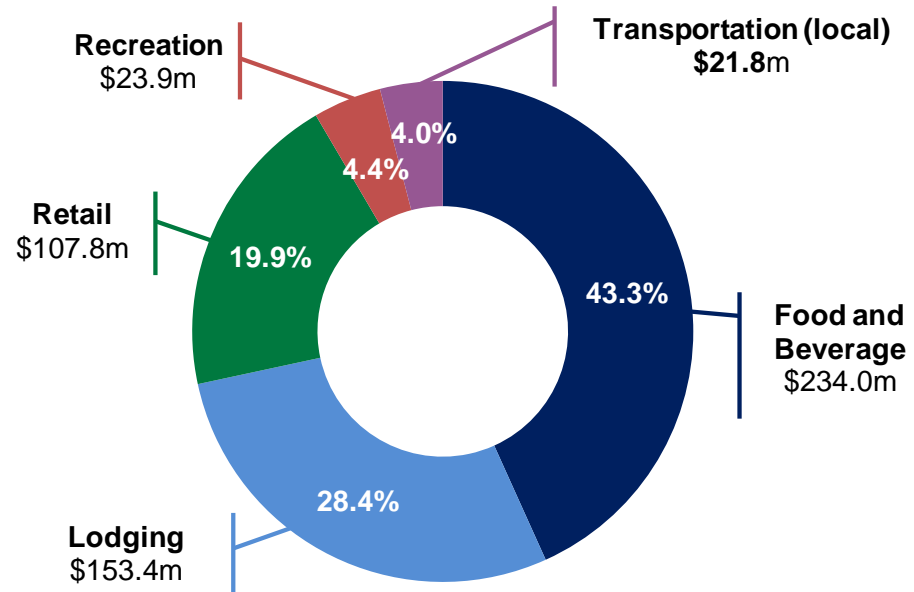
Composition of visitor spending

Huntington Beach visitor spending came primarily in food and lodging.

Visitor spending on food and beverages amounted to \$234 million and accounted for the greatest share of the total, followed by lodging at \$153.4 million, retail at \$107.8 million, and recreation at \$23.9 million.

In terms of shares, food and beverage together with lodging accounted for more than 71% of total spending, followed by retail at nearly 20%, and recreation at 4.4%.

Huntington Beach Visitor Spending Profile



Sources: Lauren Schlau Consulting, CIC Research, Tourism Economics

Visitor spending trends

Total visitor spending expanded 13.3% in 2018, faster than growth of a year earlier.

Spending growth among the key categories was led by lodging at 17.3%, followed by food and beverage at 13.8%, and recreation at 13.5%,

Visitor spending on local ground transportation was up 12.2%, driven in part by nearly 19% higher gas prices versus a year earlier.

Visitor spending on lodging and food and beverages led spending growth.

Huntington Beach Visitor Spending By Category								
US\$ Millions								
	2012	2013	2014	2015	2016	2017	2018	2017-18 % ch
Lodging	79.6	82.5	93.3	100.1	114.6	130.9	153.4	17.3%
Food and beverage	126.6	138.9	153.6	168.1	183.3	205.6	234.0	13.8%
Retail	76.7	81.5	88.5	91.3	96.5	99.8	107.8	8.0%
Recreation	7.3	9.1	11.4	13.8	17.0	21.0	23.9	13.5%
Local transportation	14.1	15.5	16.6	17.2	17.4	19.5	21.8	12.2%
Visitor spending sub-total	304.4	327.5	363.4	390.5	428.7	476.7	540.9	13.5%
Second homes usage	16.3	16.4	17.7	18.5	20.0	21.8	24.1	10.3%
Total Visitor Spending*	320.7	343.8	381.1	409.0	448.8	498.6	565.0	13.3%
<i>% change</i>	8.1%	15.9%	10.8%	7.3%	9.7%	11.1%	13.3%	

*Note: includes the value of usage of second homes in Huntington Beach, consistent with the UN World Tourism Organization recommended methodology

5. Huntington Beach Economic Impacts

Huntington Beach economic impact

The tourism industry in Huntington Beach is growing.

Direct visitor spending in Huntington Beach has increased 9.9% per year since 2012. This direct spending generates jobs and income in other industries in the local economy, captured in the indirect and induced benefits.

Adding direct, indirect, and induced impacts together, the total economic impact amounted to \$736 million in 2018. Total economic impact has increased 9.6% per year on average since 2012.

Economic Impact Trends							
US\$ Millions							
	2012	2013	2014	2015	2016	2017	2018
Direct spending/impacts	320.7	343.8	381.1	409.0	448.8	498.6	565.0
Indirect and induced	103.3	109.6	120.3	127.8	138.8	152.7	171.3
Total Economic Impact	424.0	453.5	501.4	536.8	587.6	651.3	736.4
<i>% change</i>	7.9%	6.9%	10.6%	7.1%	9.5%	10.8%	13.1%

*Note: includes the value of usage of second homes in Huntington Beach, consistent with the UN World Tourism Organization recommended methodology

Huntington Beach tourism sales

Direct visitor spending in Huntington Beach amounted to \$565 million in 2018.

Direct visitor spending of \$565 million generated \$79.5 million in indirect impacts and \$91.9 million in induced impacts.

Adding direct, indirect, and induced impacts together, the total economic impact sums to \$736.4 million in 2018.

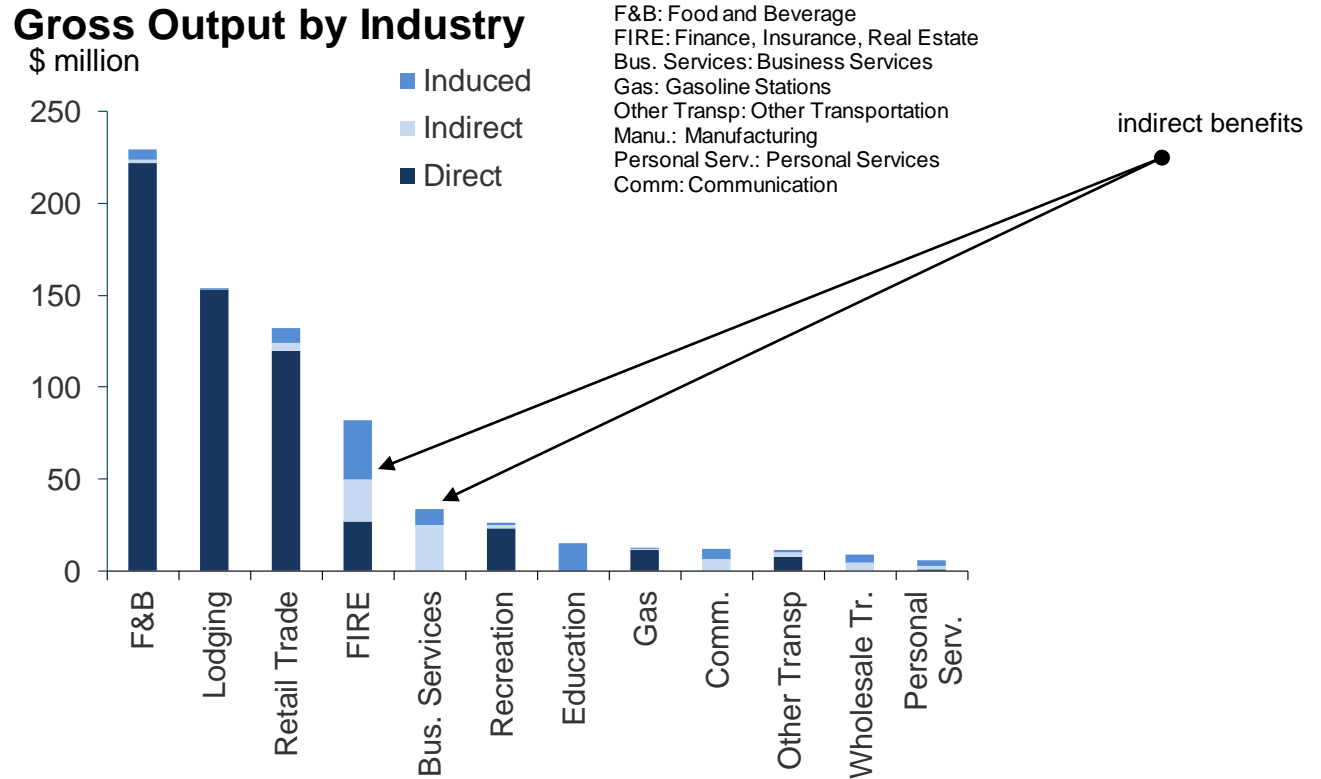
Gross Output (Business Sales)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.1	0.1	0.2
Construction and Utilities	-	3.7	1.6	5.2
Manufacturing	-	2.3	1.6	3.9
Wholesale Trade	-	4.2	4.6	8.8
Air Transport (local)	-	0.1	0.1	0.2
Other Transport	7.4	2.5	1.5	11.4
Retail Trade	119.9	4.0	8.1	132.0
Gasoline Stations	11.5	0.2	0.3	12.0
Communications	-	6.5	5.4	11.9
Finance, Insurance and Real Estate	27.1	22.6	32.5	82.2
Business Services	-	25.0	8.3	33.3
Education and Health Care	-	0.1	14.9	14.9
Recreation and Entertainment	23.4	1.4	1.8	26.5
Lodging	153.4	0.1	0.1	153.5
Food & Beverage	221.9	1.9	5.5	229.2
Personal Services	0.5	2.3	2.8	5.7
Government	-	2.6	2.8	5.4
TOTAL	565.0	79.5	91.9	736.4

* Direct sales include cost of goods sold for retail and wholesale trade sectors

* Also includes the value of second home usage

Huntington Beach tourism sales

Indirect benefits came primarily in finance, real estate, and insurance, and business services.



Tourism employment intensity by industry

Tourism accounts for a significant share of employment in Huntington Beach.

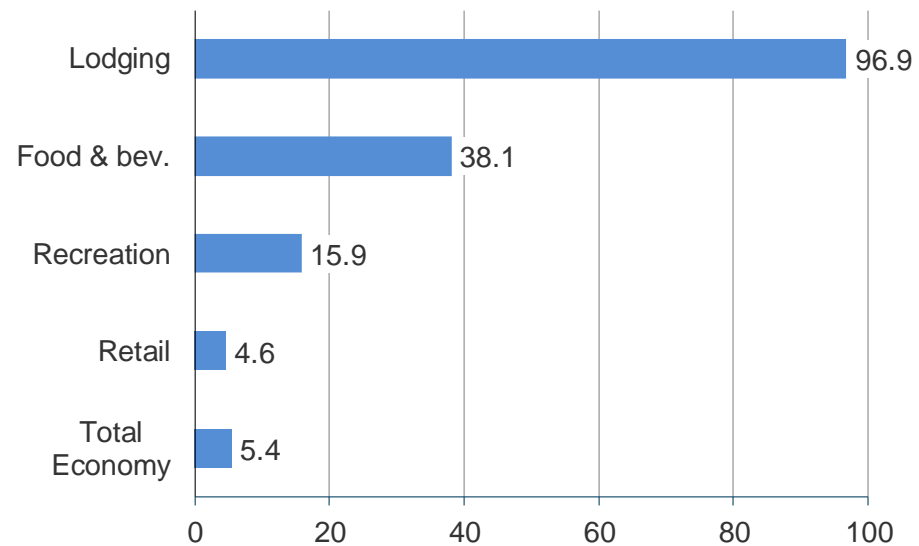
Direct visitor spending accounts for nearly all employment in lodging, at nearly 97%.

Tourism's employment intensity in other industries is significant as well, at 38.1% of food and beverage, 15.9% of recreation, and 4.6% of retail.

Overall, *direct* tourism jobs account for an estimated 5.4% of all jobs in Huntington Beach.

Tourism Employment Intensity by Industry

Huntington Beach, *direct* jobs as a share of total by industry, %



Source: Tourism Economics

Huntington Beach tourism employment

Tourism-supported employment amounted to 6,921 jobs in 2018.

Direct visitor spending sustained 5,897 jobs in 2018, or 5.4% of all jobs in Huntington Beach.

Including indirect and induced jobs, a total of 6,921 jobs were sustained by tourism in 2018, accounting for 6.4% of *all* jobs in Huntington Beach.

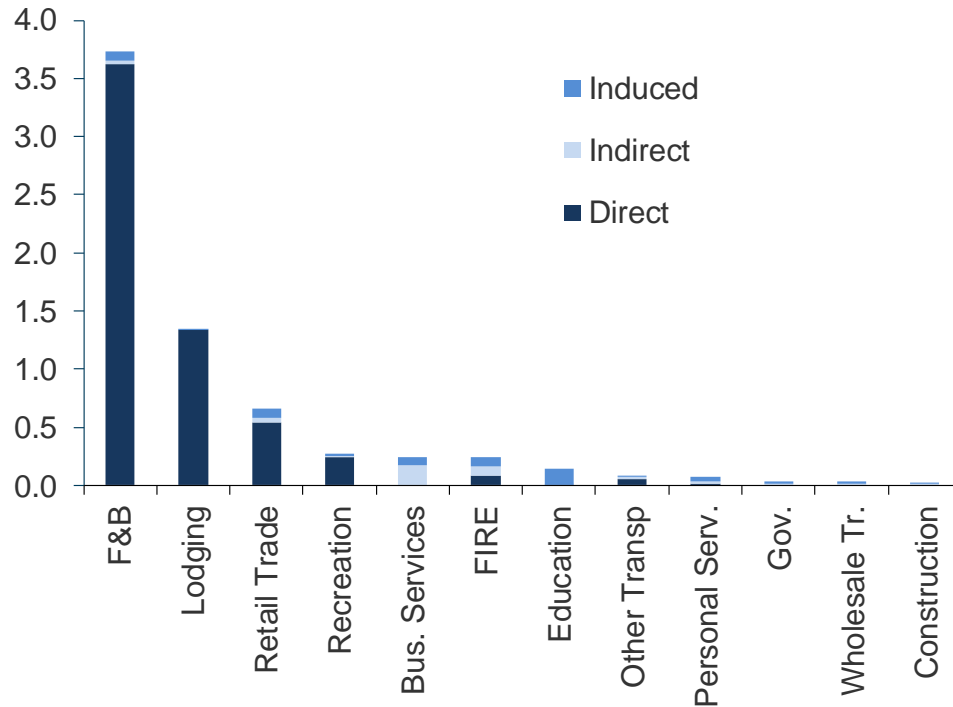
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	-	-	-
Construction and Utilities	-	15	6	21
Manufacturing	-	7	3	9
Wholesale Trade	-	15	16	32
Air Transport (local)	-	0	0	1
Other Transport	57	17	10	84
Retail Trade	536	43	85	664
Gasoline Stations	11	1	3	15
Communications	-	12	8	20
Finance, Insurance and Real Estate	87	75	76	238
Business Services	-	175	66	241
Education and Health Care	-	2	144	146
Recreation and Entertainment	239	16	17	272
Lodging	1,334	0	0	1,335
Food & Beverage	3,623	33	82	3,738
Personal Services	12	19	38	70
Government	-	15	23	37
TOTAL	5,897	446	578	6,921

Huntington Beach tourism employment

Indirect and induced benefits accrue to other industries across the economy.

Tourism Employment by Industry

Thousands



Huntington Beach tourism in context

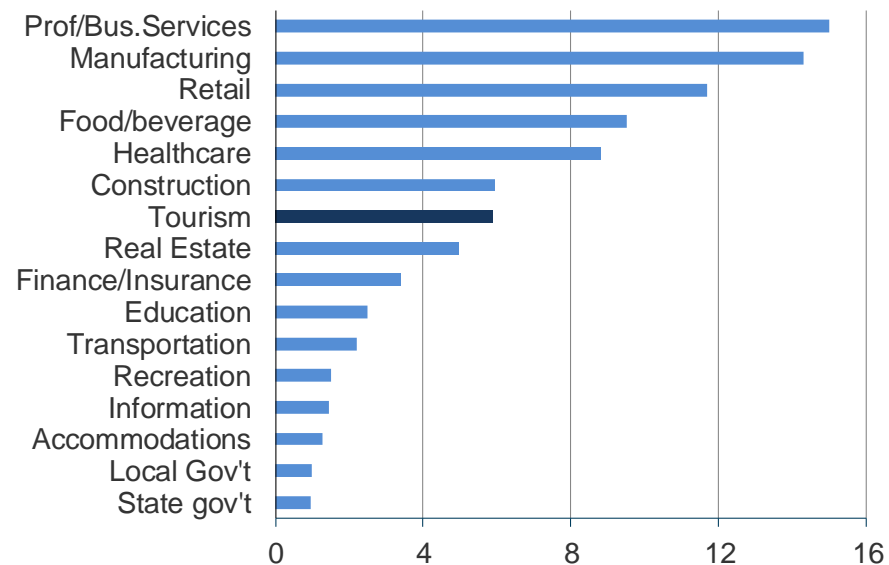
When taken together as an industry, tourism is the 7th largest employer in Huntington Beach.

With nearly 6,000 direct jobs, tourism is the 7th largest employer in Huntington Beach.

When taken together as an industry, tourism employs more people than other key industries, such as real estate, finance, education, transportation, and information.

Huntington Beach Jobs by Industry in 2018

(Thousands)



Sources: BEA, BLS, US Census, Tourism Economics

Huntington Beach tourism income

Tourism sustained a total of \$253 million in income in Huntington Beach in 2018.

Visitors and their spending sustained \$191.3 million in direct income earned, primarily in lodging, food and beverage, and recreation.

When including indirect and induced benefits across other industries, a total of \$253 million in income was earned in Huntington Beach in 2018.

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	-	-	-
Construction and Utilities	-	1.2	0.5	1.7
Manufacturing	-	0.5	0.2	0.7
Wholesale Trade	-	1.5	1.7	3.2
Air Transport (local)	-	0.0	0.0	0.0
Other Transport	3.4	1.1	0.6	5.1
Retail Trade	19.9	1.5	3.7	25.1
Gasoline Stations	0.8	0.1	0.2	1.1
Communications	-	1.2	0.8	2.1
Finance, Insurance and Real Estate	4.5	5.1	5.7	15.3
Business Services	-	12.7	4.4	17.1
Education and Health Care	-	0.0	8.5	8.6
Recreation and Entertainment	10.2	0.6	0.6	11.4
Lodging	54.5	0.0	0.0	54.5
Food & Beverage	97.7	1.0	2.2	101.0
Personal Services	0.4	1.2	1.8	3.3
Government	-	1.5	1.2	2.7
TOTAL	191.3	29.4	32.2	252.9

Huntington Beach tourism tax revenue generation

Over \$43 million in state and local taxes were generated in 2018.

Total tourism-generated tax revenues amounted to \$91.2 million in 2018.

Of this, \$43.3 million accrued at the state and local level.

State tax revenues included \$13.0 million in sales tax and \$7.8 million in income tax.

Local tax revenues included \$3.0 million in sales tax revenues and \$13.1 million in Transient Occupancy Tax (TOT) revenues, not including any private sector self-assessment TBID funds.

State and local tax revenues helped to offset \$394 in tax burden for each household in Huntington Beach.

Tourism-Generated Revenues Tax Revenues	
2018, \$Millions	
	Amount
Federal	
Personal Income	21.8
Corporate	8.9
Indirect business	3.8
Social Security	13.3
Federal total	47.9
State	
Sales	13.0
Personal Income	7.8
Corporate	1.5
Social Security	0.5
Other Taxes and Fees	2.2
State total	25.0
Local	
Sales	3.0
Lodging	13.1
Other Taxes and Fees	2.2
Local total	18.4
TOTAL	91.2

6. Appendix: additional data tables

Huntington Beach tourism sales excluding second homes

Gross Output (Business Sales)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.1	0.1	0.2
Construction and Utilities	-	3.2	1.5	4.8
Manufacturing	-	2.3	1.5	3.9
Wholesale Trade	-	4.2	4.5	8.6
Air Transport (local)	-	0.1	0.1	0.2
Other Transport	7.4	2.5	1.4	11.3
Retail Trade	119.9	3.9	7.9	131.7
Gasoline Stations	11.5	0.2	0.3	11.9
Communications	-	6.4	5.3	11.7
Finance, Insurance and Real Estate	3.0	21.8	31.8	56.6
Business Services	-	24.2	8.1	32.3
Education and Health Care	-	0.1	14.5	14.6
Recreation and Entertainment	23.4	1.3	1.7	26.4
Lodging	153.4	0.1	0.1	153.5
Food & Beverage	221.9	1.8	5.4	229.1
Personal Services	0.5	2.2	2.8	5.6
Government	-	2.5	2.8	5.3
TOTAL	540.9	77.0	89.9	707.9

* Direct sales include cost of goods sold for retail and wholesale trade sectors

Huntington Beach tourism employment excluding second homes

Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	-	-	-
Construction and Utilities	-	13	6	19
Manufacturing	-	7	3	9
Wholesale Trade	-	15	16	31
Air Transport (local)	-	0	0	1
Other Transport	57	17	10	83
Retail Trade	536	42	83	662
Gasoline Stations	11	1	3	15
Communications	-	12	8	20
Finance, Insurance and Real Estate	10	73	74	157
Business Services	-	166	64	230
Education and Health Care	-	2	141	143
Recreation and Entertainment	239	16	17	271
Lodging	1,334	0	0	1,335
Food & Beverage	3,623	33	80	3,736
Personal Services	12	19	38	69
Government	-	15	22	37
TOTAL	5,821	430	565	6,816

Huntington Beach tourism income excluding second homes

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	-	-	-
Construction and Utilities	-	1.0	0.5	1.5
Manufacturing	-	0.5	0.2	0.7
Wholesale Trade	-	1.5	1.6	3.2
Air Transport (local)	-	0.0	0.0	0.0
Other Transport	3.4	1.1	0.6	5.1
Retail Trade	19.9	1.5	3.6	25.0
Gasoline Stations	0.8	0.1	0.2	1.1
Communications	-	1.2	0.8	2.0
Finance, Insurance and Real Estate	1.0	0.5	0.5	2.1
Business Services	-	12.2	4.3	16.5
Education and Health Care	-	0.0	8.3	8.4
Recreation and Entertainment	10.2	0.6	0.6	11.4
Lodging	54.5	0.0	0.0	54.5
Food & Beverage	97.7	1.0	2.2	100.9
Personal Services	0.4	1.2	1.7	3.3
Government	-	1.5	1.2	2.7
TOTAL	187.8	24.1	26.5	238.4

Huntington Beach tourism sales second homes only

Gross Output (Business Sales)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.0	0.0	0.0
Construction and Utilities	-	0.4	0.0	0.5
Manufacturing	-	0.0	0.0	0.1
Wholesale Trade	-	0.0	0.1	0.1
Air Transport (local)	-	0.0	0.0	0.0
Other Transport	-	0.0	0.0	0.1
Retail Trade	-	0.1	0.2	0.2
Gasoline Stations	-	0.0	0.0	0.0
Communications	-	0.1	0.1	0.2
Finance, Insurance and Real Estate	24.1	0.8	0.7	25.6
Business Services	-	0.8	0.2	1.0
Education and Health Care	-	0.0	0.3	0.3
Recreation and Entertainment	-	0.0	0.0	0.0
Lodging	-	0.0	0.0	0.0
Food & Beverage	-	0.0	0.1	0.2
Personal Services	-	0.0	0.1	0.1
Government	-	0.0	0.1	0.1
TOTAL	24.1	2.4	1.9	28.5

Huntington Beach tourism employment second homes only

Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0	0	0
Construction and Utilities	-	2	0	2
Manufacturing	-	0	0	0
Wholesale Trade	-	0	0	0
Air Transport (local)	-	0	0	0
Other Transport	-	0	0	0
Retail Trade	-	1	2	3
Gasoline Stations	-	0	0	0
Communications	-	0	0	0
Finance, Insurance and Real Estate	77	3	2	82
Business Services	-	9	1	10
Education and Health Care	-	0	3	3
Recreation and Entertainment	-	0	0	0
Lodging	-	0	0	0
Food & Beverage	-	1	2	3
Personal Services	-	0	1	1
Government	-	0	0	0
TOTAL	77	16	11	104

Huntington Beach tourism income second homes only

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	-	-	-
Construction and Utilities	-	0.2	0.0	0.2
Manufacturing	-	0.0	0.0	0.0
Wholesale Trade	-	0.0	0.0	0.1
Air Transport (local)	-	0.0	0.0	0.0
Other Transport	-	0.0	0.0	0.0
Retail Trade	-	0.0	0.1	0.1
Gasoline Stations	-	0.0	0.0	0.0
Communications	-	0.0	0.0	0.0
Finance, Insurance and Real Estate	3.5	4.6	5.2	13.3
Business Services	-	0.5	0.1	0.6
Education and Health Care	-	0.0	0.2	0.2
Recreation and Entertainment	-	0.0	0.0	0.0
Lodging	-	0.0	0.0	0.0
Food & Beverage	-	0.0	0.0	0.1
Personal Services	-	0.0	0.0	0.1
Government	-	0.0	0.0	0.0
TOTAL	3.5	5.3	5.7	14.6

7. Data Sources and Methods

Notes

Why quantify the tourism economy?

- By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development.
- It can also carefully monitor its successes and future needs.
- 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?

- Most economic sectors such as financial services, insurance, or construction are easily defined within a region's economic statistics.
- 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.
- 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 direct visitor expenditures in Huntington Beach were based on several sources including:

- Visitor volume and spending estimates from survey research conducted by Lauren Schlau Consulting and direct spending estimates developed by CIC Research, a travel research firm based in San Diego, CA.
- Data covering hotel room demand, supply, revenues, occupancy, and room rates in Huntington Beach from STR.
- Industry data on employment, wages and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.
- Local bed tax data for the City of Huntington Beach.
- Sales tax revenues for all municipalities obtained from the California State Board of Equalization (BOE).

An IMPLAN input-output model was constructed for Orange 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. Adjustments were made to city level modeling results in order to capture indirect and induced economic impacts only in the relevant geographic areas.

Gasoline price data for the Los Angeles region were obtained from the Energy Information Administration and the Bureau of Labor Statistics CPI database.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 30 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.