

Drivers and Roadblocks for Travel

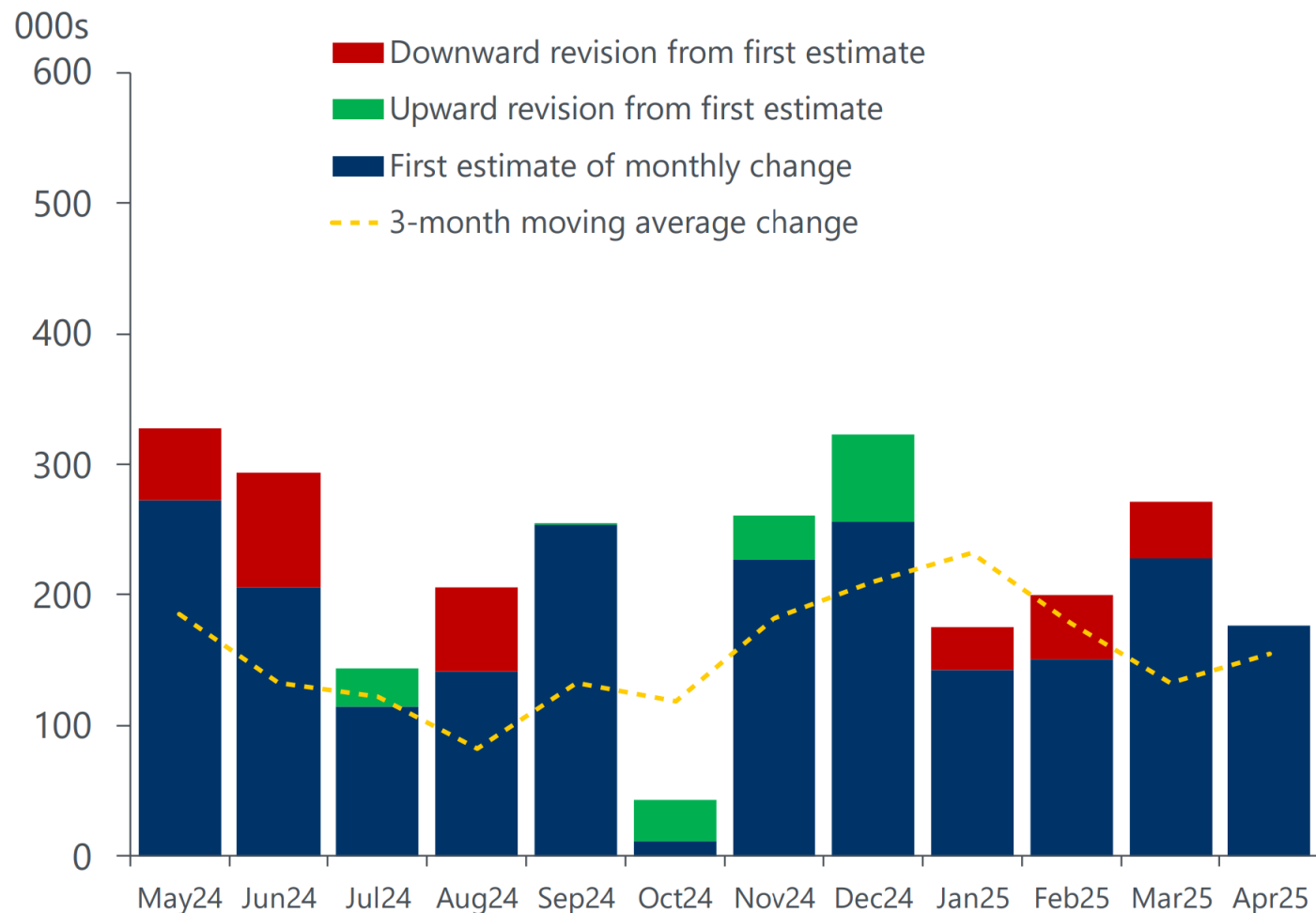
Where do we go from here?

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State of the Economy

Jobs growth rose in April, even after downward revisions

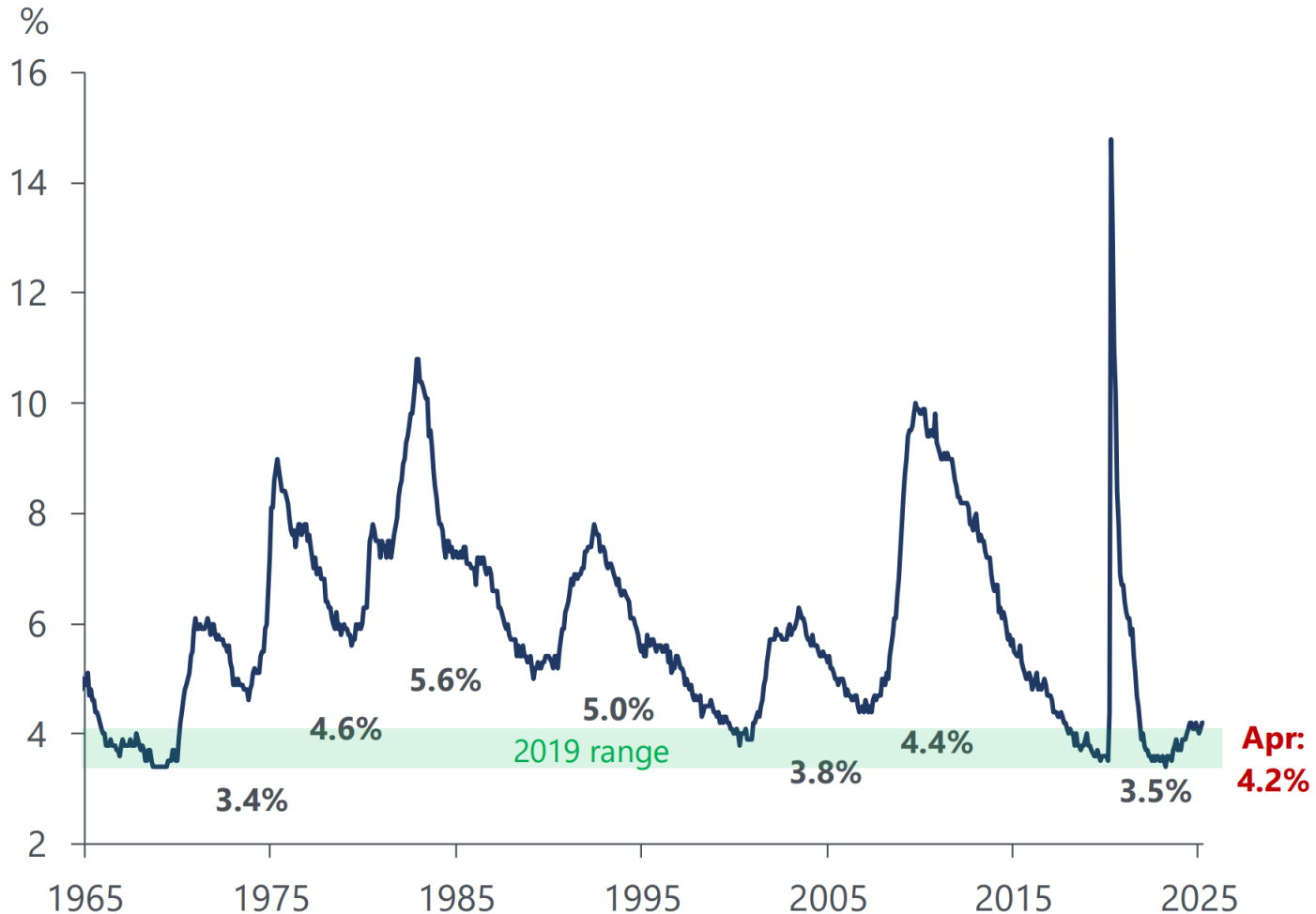
US: Nonfarm payroll employment



Source: Oxford Economics/BLS/Haver Analytics

Unemployment remains at 4.2%

US: U-3 unemployment rate



Layoffs are low...

But those seeking work are finding it harder to secure jobs.

Source: Oxford Economics/Haver Analytics

Federal employment declined again, more weakness to come



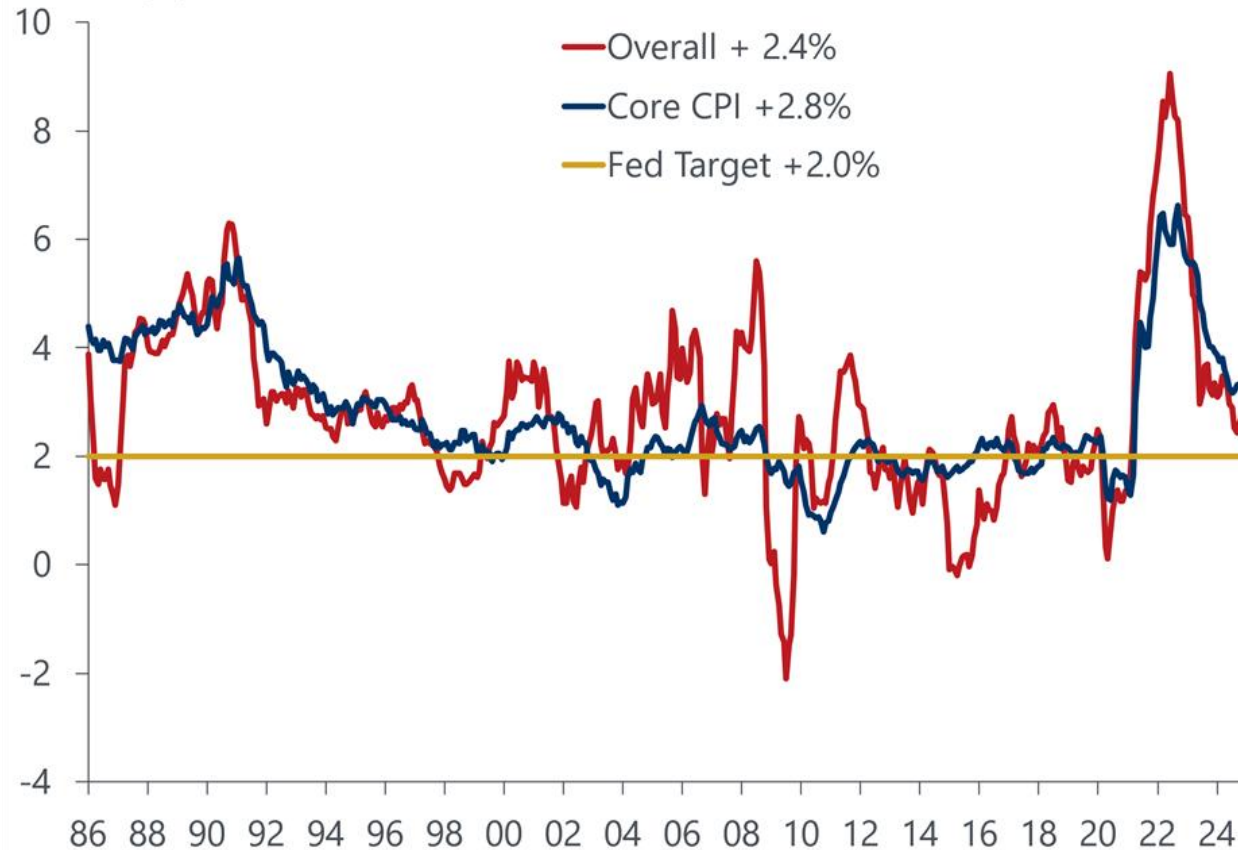
Source: Oxford Economics/Haver Analytics

The federal hiring freeze and federal layoffs will result in **a net decline of 200,000 federal workers this year.**

Inflation fell to 2.4% in March

US: Consumer Prices

Percent y/y



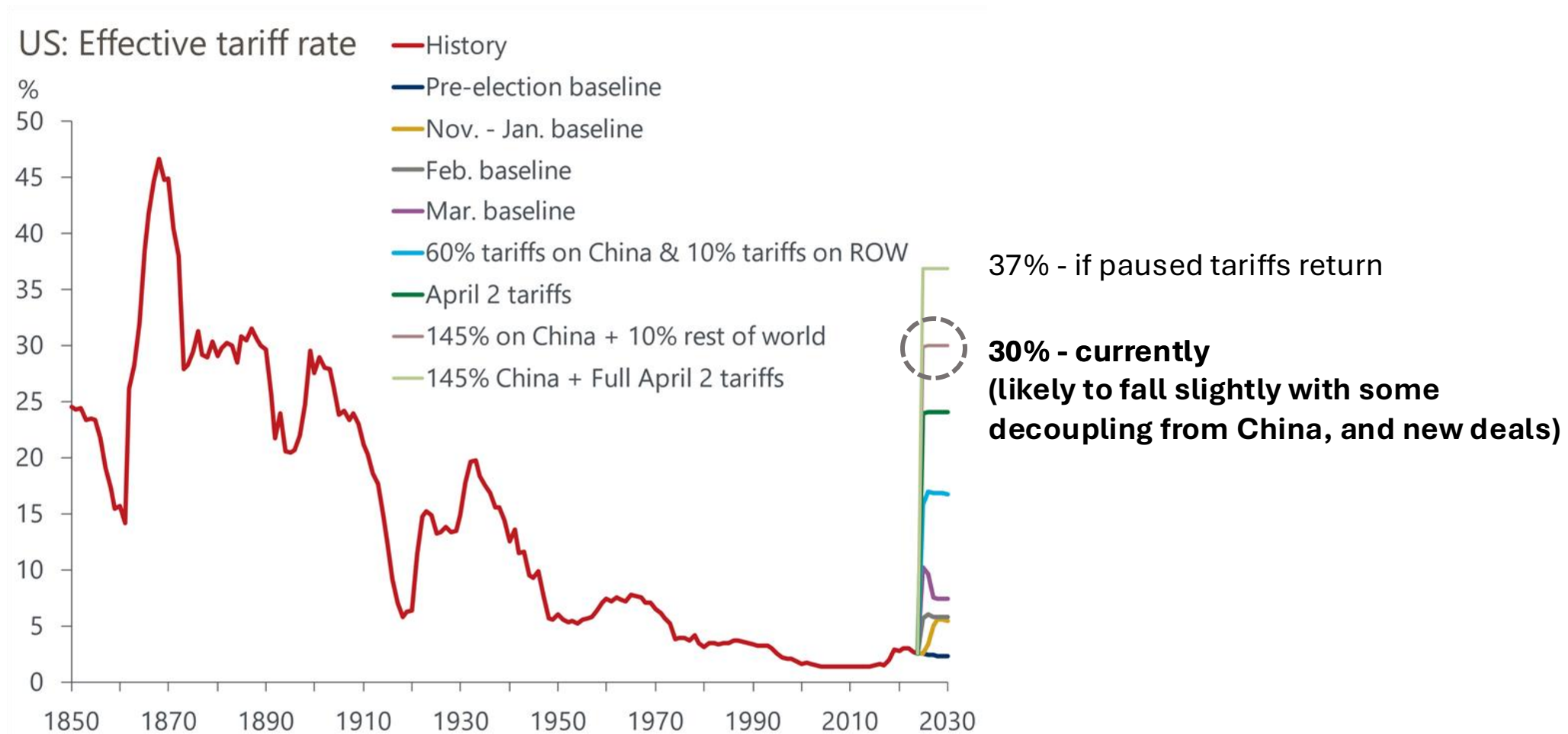
Source: Oxford Economics/Bureau of Labor Statistics

But.....



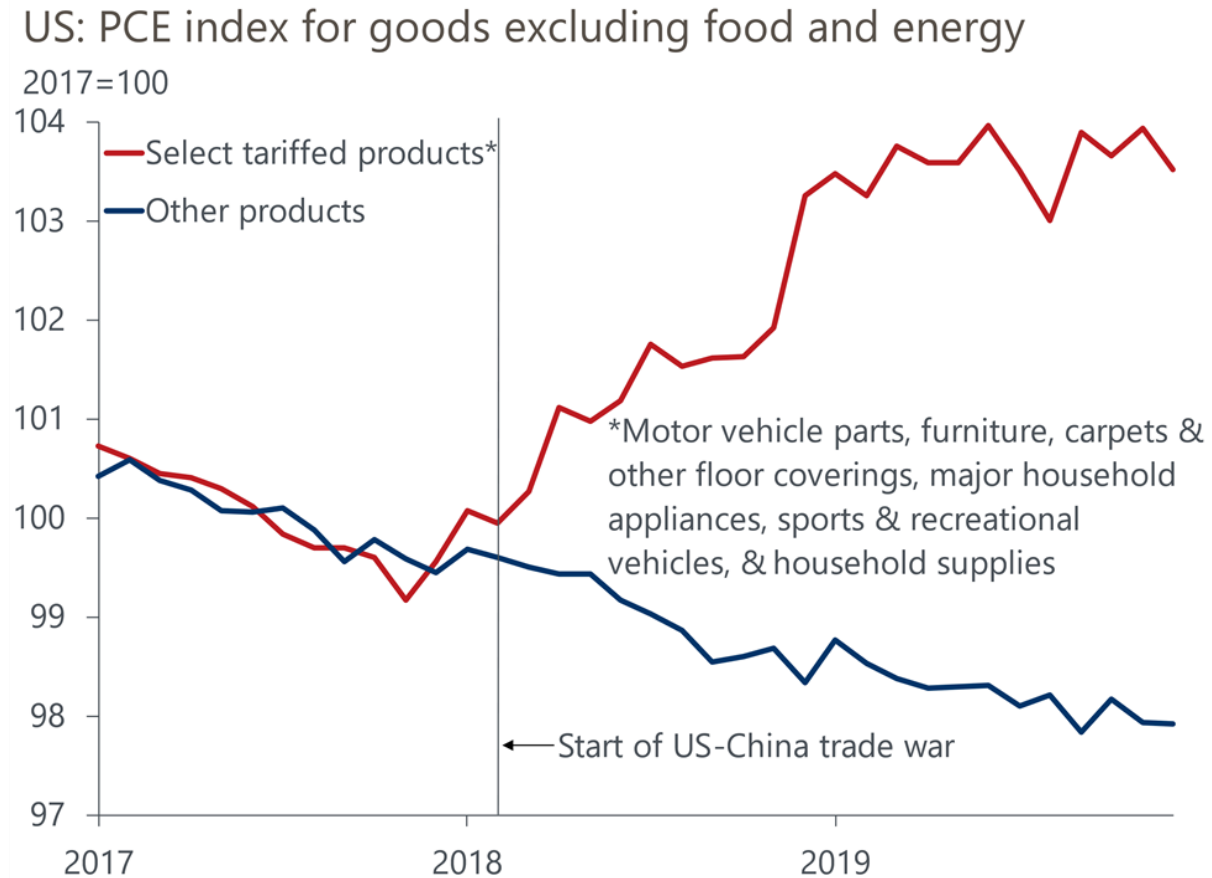
U.S. TARIFFS
AHEAD

Trade-weighted tariff rate highest in since 1880s



Source: Oxford Economics

Tariffs pose risk to inflation and supply chains



Source: Oxford Economics

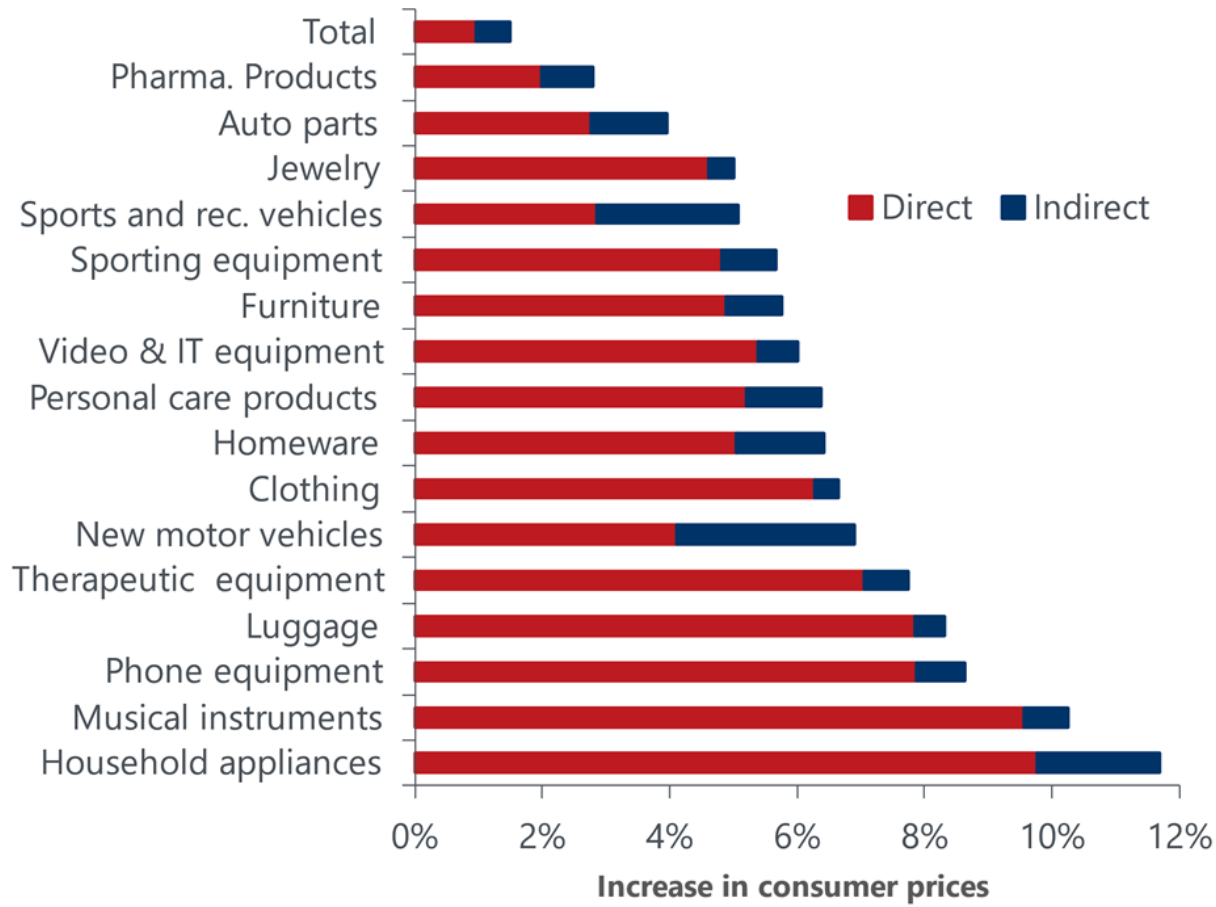
US core inflation to rise to 4.5%

Building factories here has pros and cons:

- Shield us from tariffs but will take years to build.
- Add jobs but US production has higher input costs than other countries, meaning higher prices.
- Be made in America but requires significant tech advancements

Some goods will experience large price hikes

US: Potential tariff impact on consumer prices



Source: Oxford Economics

Inflation expectations have skyrocketed

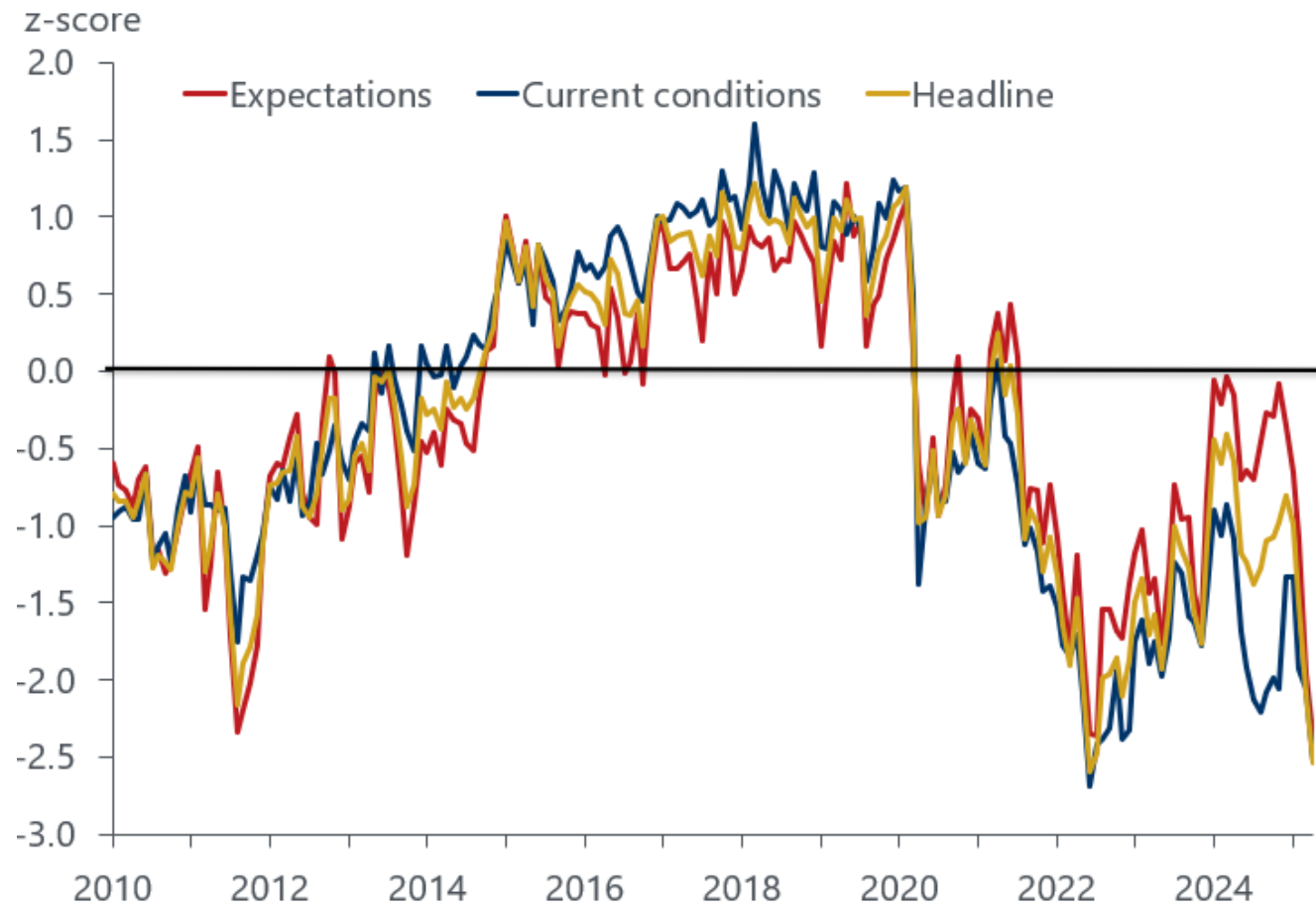
US: Michigan consumer inflation expectations



Source: Oxford Economics/University of Michigan

Consumer more downbeat

US: Michigan consumer sentiment



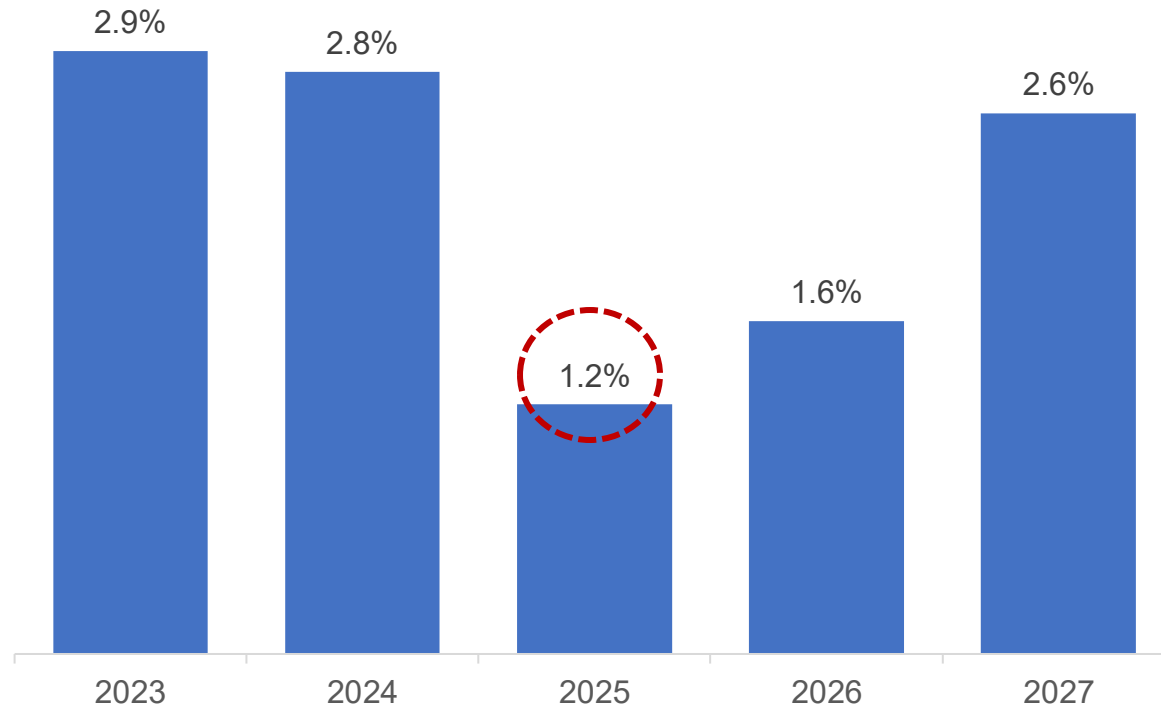
Source: Oxford Economics/University of Michigan

The drop in sentiment due to the turbulence in the stock market, fear over economy, impact on jobs, and tariffs.

Consumers likely to frontload or delay purchases, resulting in a period of weakness into H2.

Economic growth will slow markedly in 2025

US Real GDP
\$ annualized



Source: Oxford Economics

The economy is vulnerable and has little margin for error.

Un-pausing reciprocal tariffs will plunge the US into a recession.

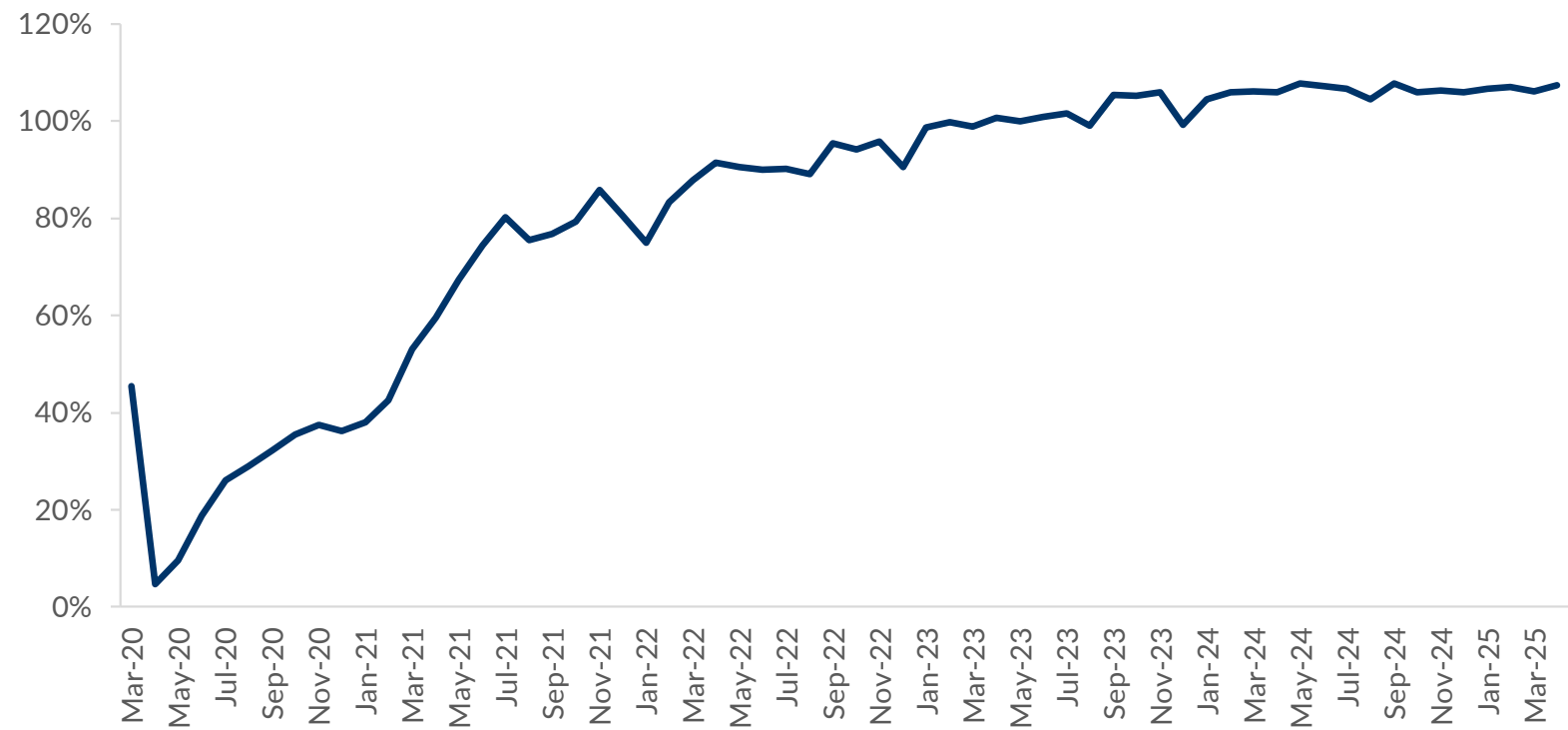
Unemployment rises to 4.8% this year

The economy will improve next year, supported by tax cuts/extensions and the fading effects of tariffs on inflation and real disposable income.

Leisure Travel

Air travel is holding up

US Air Passenger Volume
% of 2019 level



Source: TSA

Income growth will sustain some spending growth

US: AHE total vs production & nonsupervisory

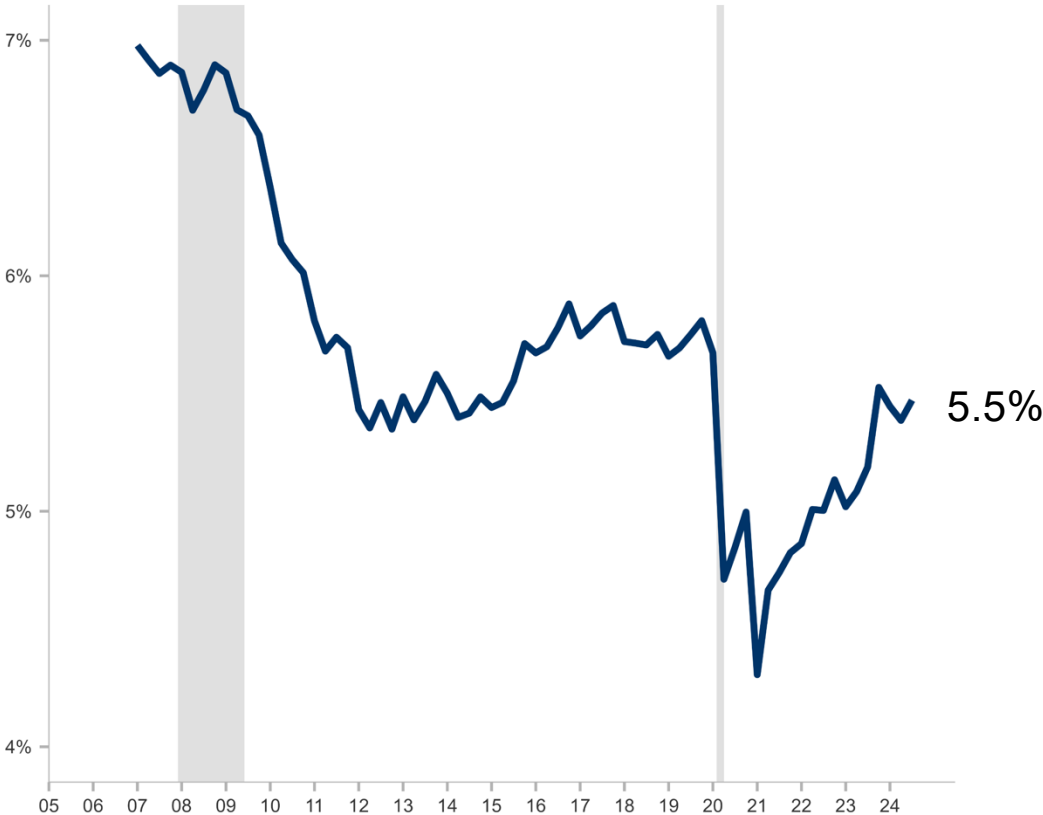


Higher inflation will weigh on real disposable incomes

Balance sheets strong

Consumer debt service payments

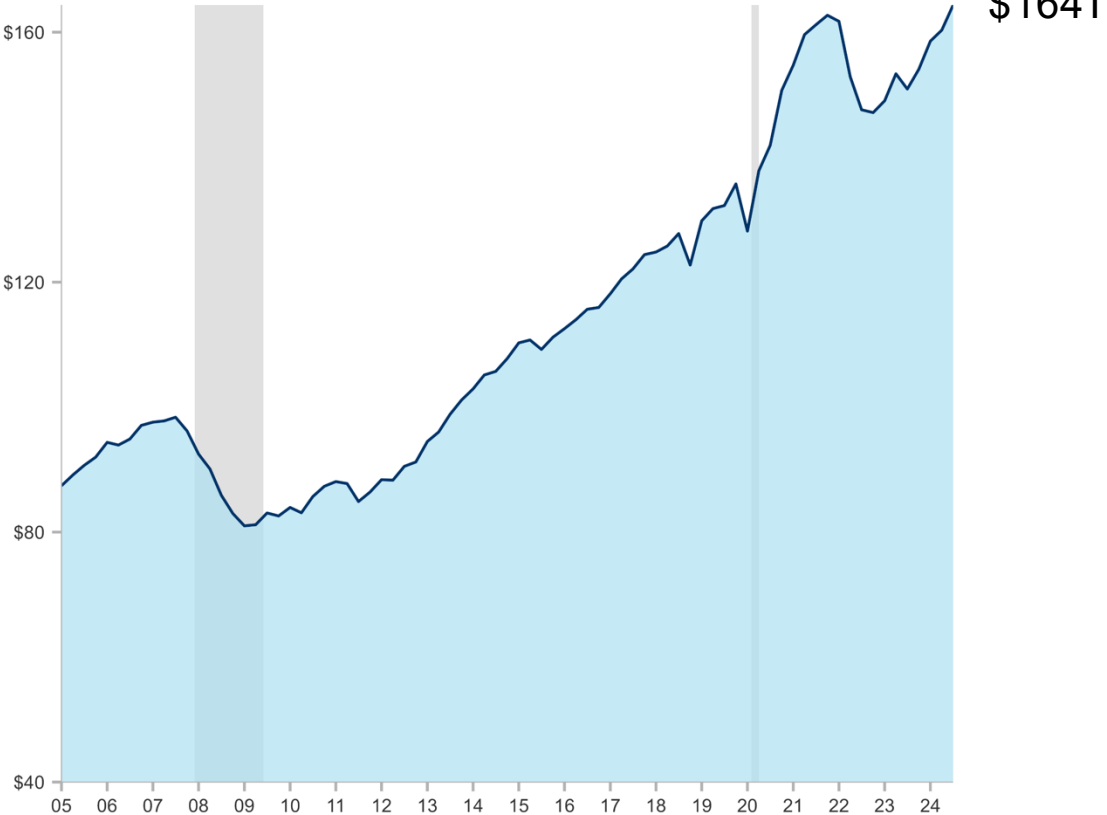
As percent of disposable personal income



Note: Quarterly data through 2024Q3. Consumer deb service payments ratio is ratio of total required household debt payment to disposable income, Source: Federal Reserve, NBER

Household net worth

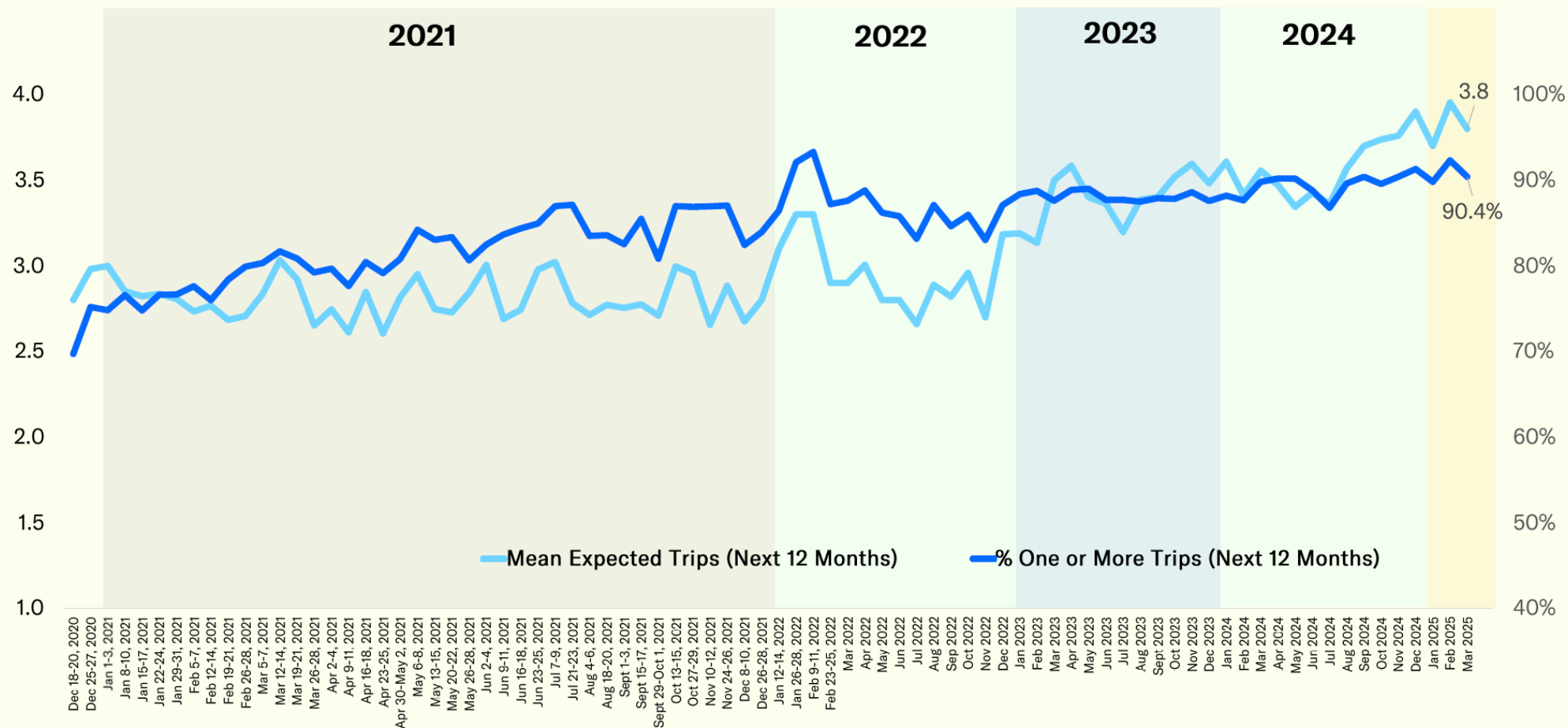
In trillions, real



Note: 2023 dollars. Quarterly data through 2024Q3. Net worth of households and nonprofit organizations. Measures housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

Intended leisure trips dipped in March

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)



MMGY's recent survey reveals weakening environment

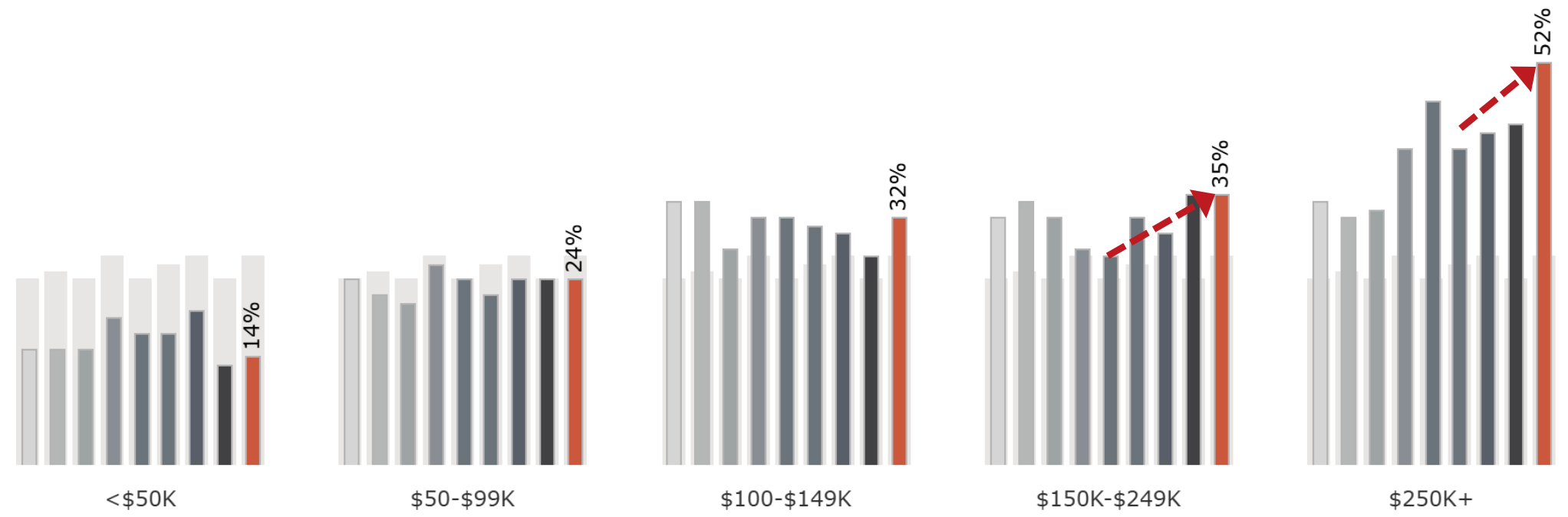
- **4% drop in travel intentions** over the next 12 months compared to mid-February study
- In the next six to 12 months, **80% of U.S. consumers say their travel behavior will change as a result of the recent financial news.**
 - 33% say they will travel closer to home
 - 24% say they will change to a less expensive mode of transportation
 - 22% say they will change their length of stay
 - **29% say they will change from an international destination to a domestic destination**
- **Over half (53%) of U.S. consumers believe that American travelers will be less welcome in other countries** as a result of the recent tariff policy decisions.

MMGY Flash survey fielded April 3–5
<https://mmgyintel.com/u-s-travelers-undeterred-by-tariffs-and-recession-talk/>

Business and Group Travel

Business travel intentions strong

Planning Business Travel Within the Next 6 Months
% of American Consumers

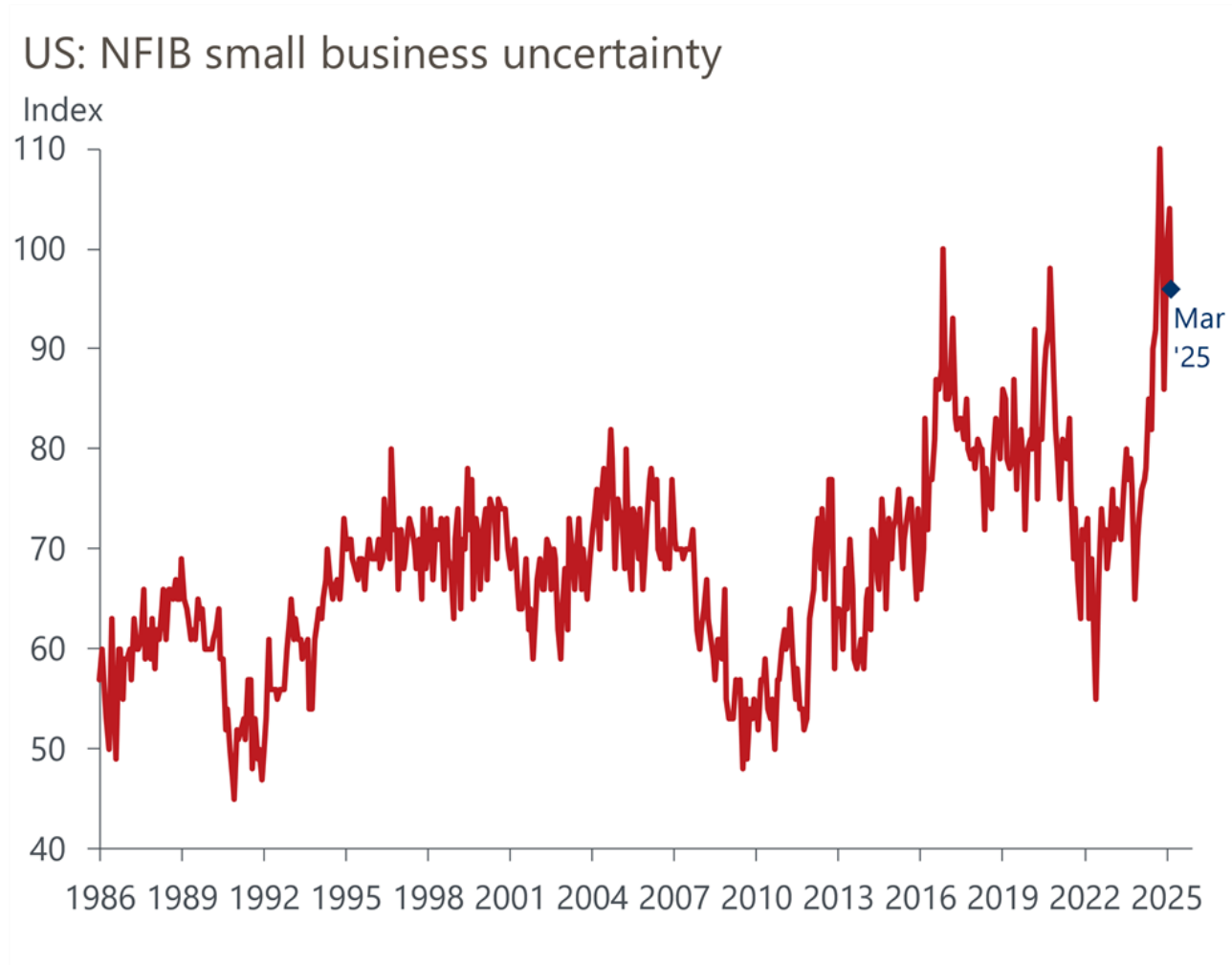


Quarter of Survey

2022 Q4 2023 Q1 2023 Q2 2023 Q3 2023 Q4 2024 Q1 2024 Q2 2024 Q3 2024 Q4

Light gray bars = avg of respondents

Business uncertainty poses a major risk

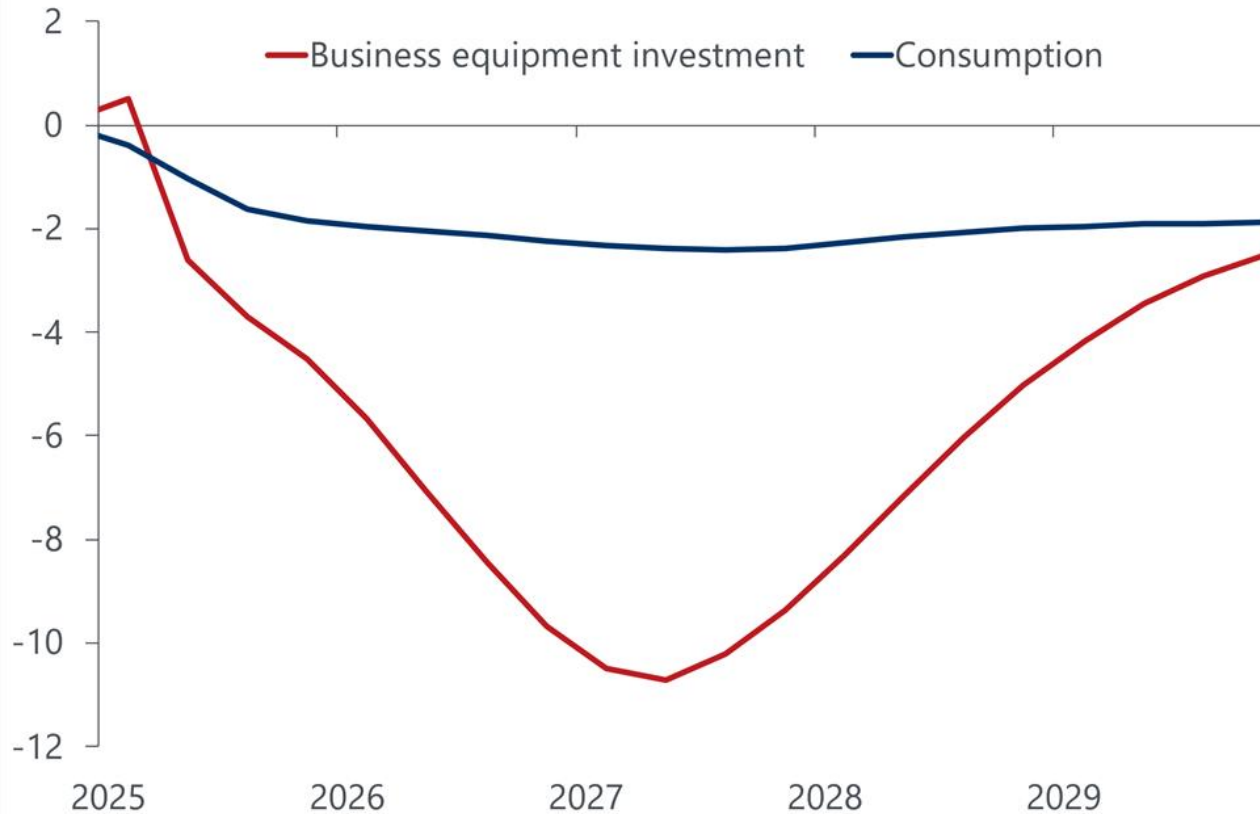


Source: Oxford Economics/NFIB

Weaker corporate investment will impact business travel

US: Change in Oxford Economics April baseline

% difference from March baseline



Capital spending and hiring by firms is held back by trade policy uncertainty, higher interest rates, and higher prices.

Tariffs are particularly **harmful for small businesses** as they attempt to manage their cashflow.

Budget cuts likely to curtail government employee travel.

International



Visitor sentiment toward the US is falling

Strained relationships over policies and proclamations:

- Trade war and rhetoric

Fear Factor:

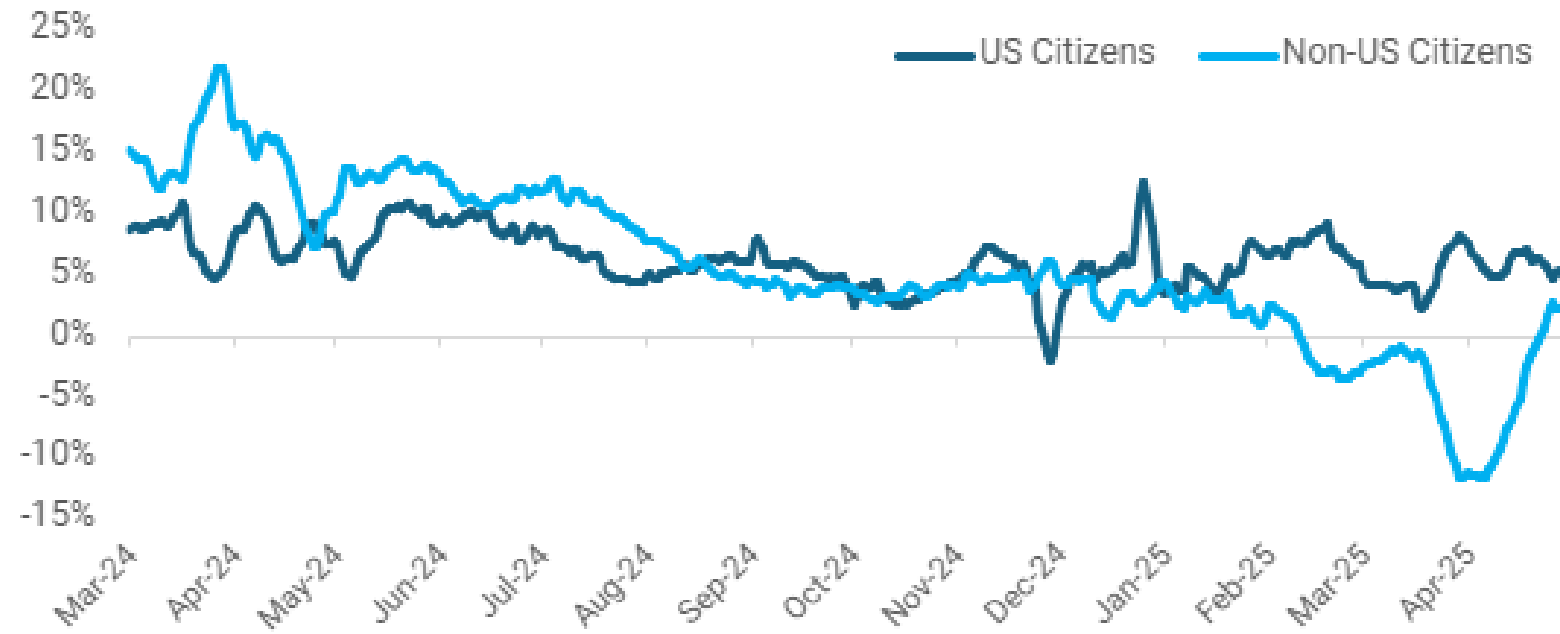
- Deportations, detainments and associated travel warnings

(+ Potential expanded travel ban in the wings)

CBP data show a steep slide

Inbound screened passengers

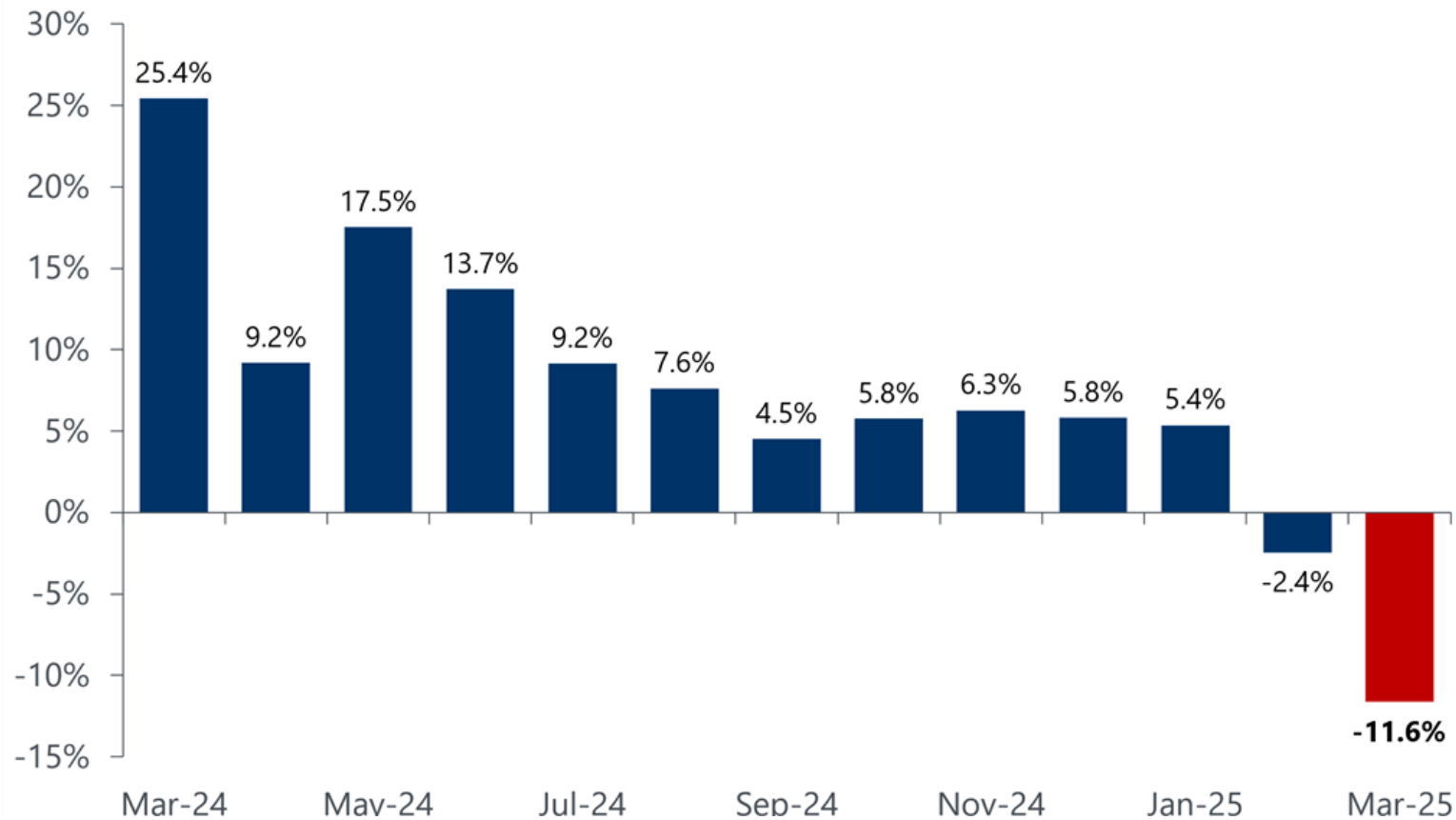
Percent change in average pax over 28 days vs same 28 days last year



Effects are already evident

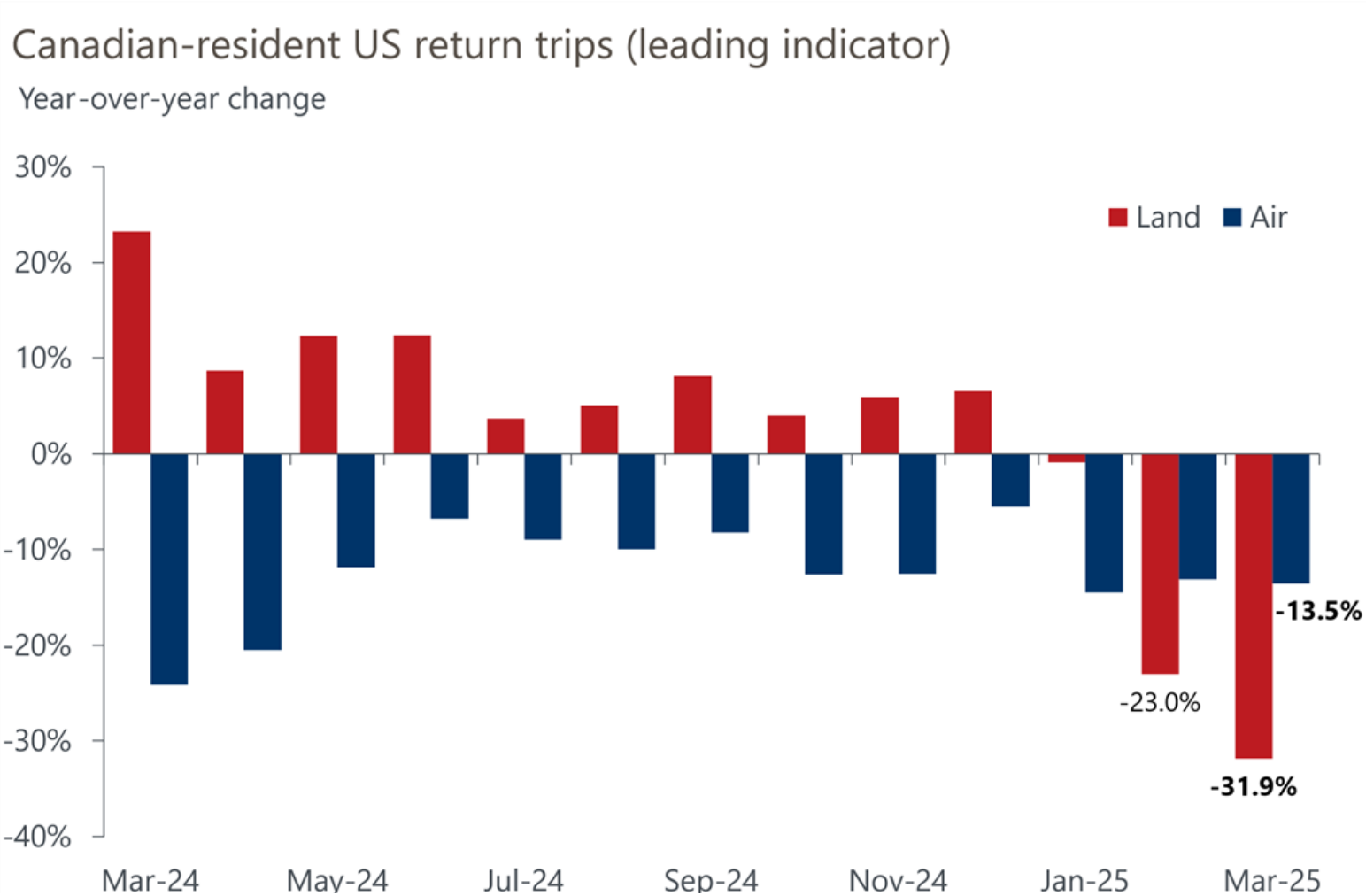
Overseas visitor arrivals to the US

Year-over-year change



Source: National Travel and Tourism Office

Particularly in Canada

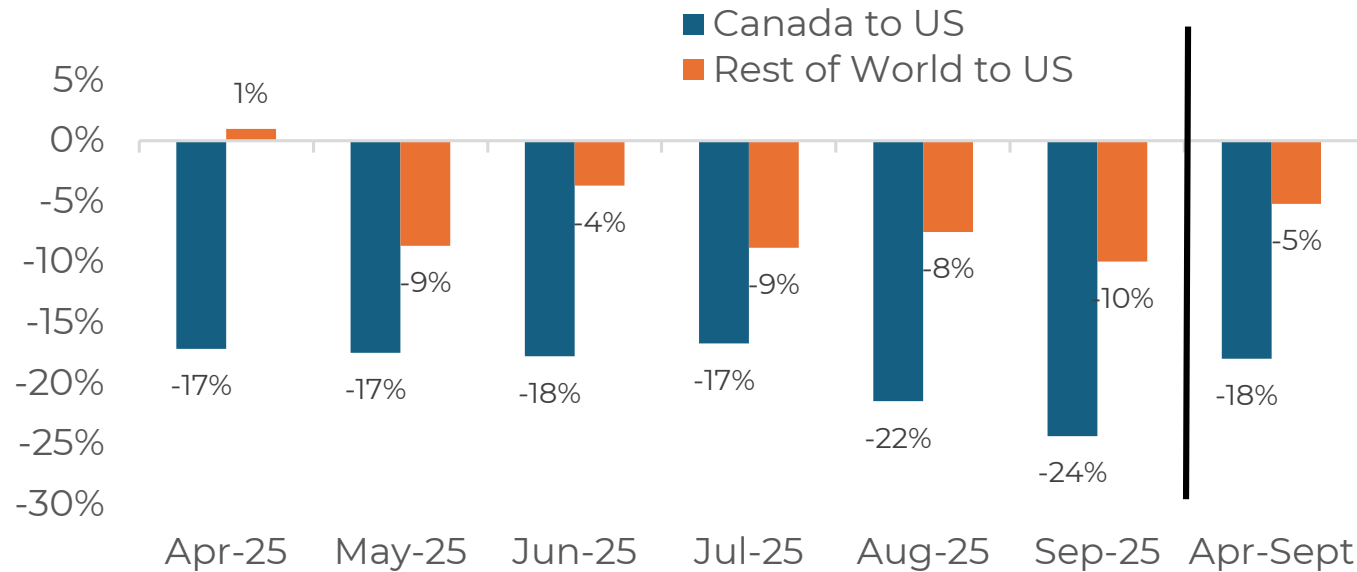


Source: Statistics Canada

Forward bookings point to steeper declines

Air bookings as of February 2025 to the US, by month

Year-over-year % change (bookings in February 25)



“We've already started the process of reducing capacity with a big drop in Canadian traffic into the US.”

United Airlines earnings call
(March 11, 2025, edited for brevity)

Source: OAG

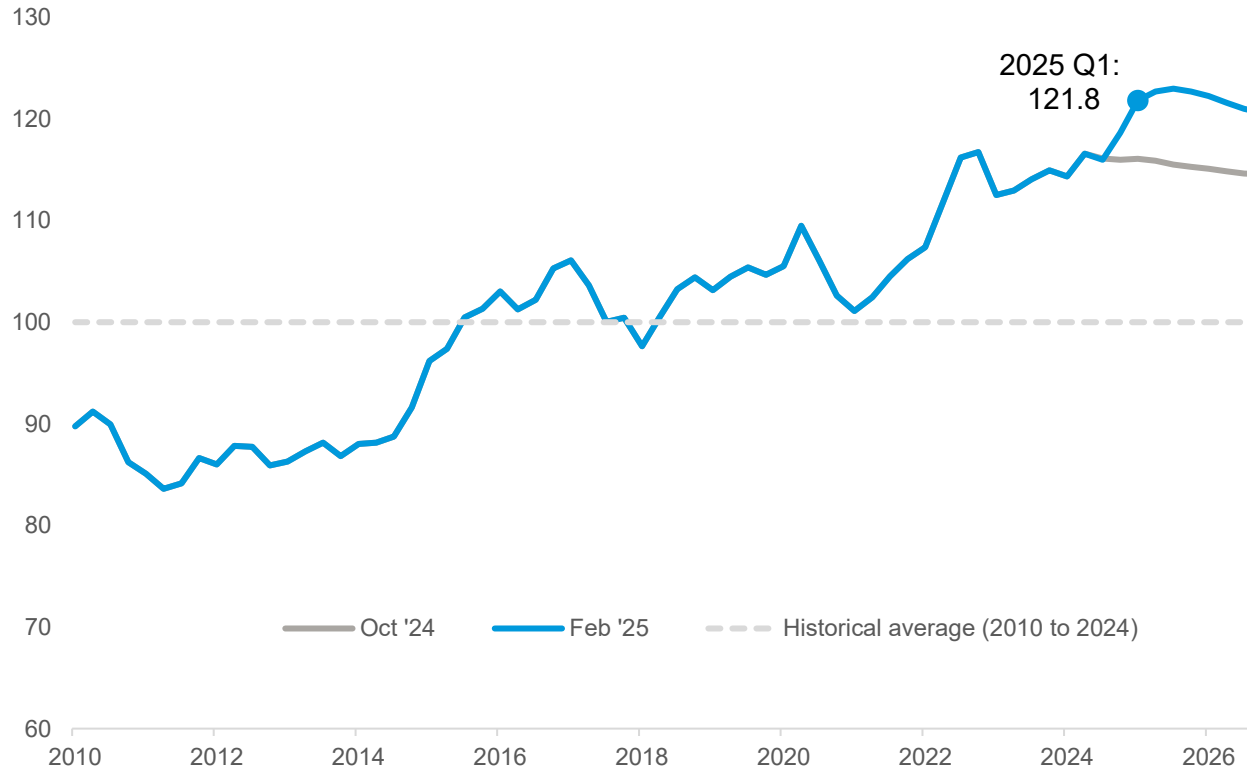
Bookings on U.S.-bound routes down about 10% amid tariff backlash: Air Canada

Mar 31, 2025 Updated Mar 31, 2025

Further strengthening in US dollar reduces affordability

Forecast comparison: US dollar

Exchange rate index (historical average=100)



The current forecast anticipates a US dollar that is 6% stronger than in the pre-election forecast.

The dollar is now approximately 22% stronger than its recent historical average (2010 to 2024).

Making the US a more expensive destination.

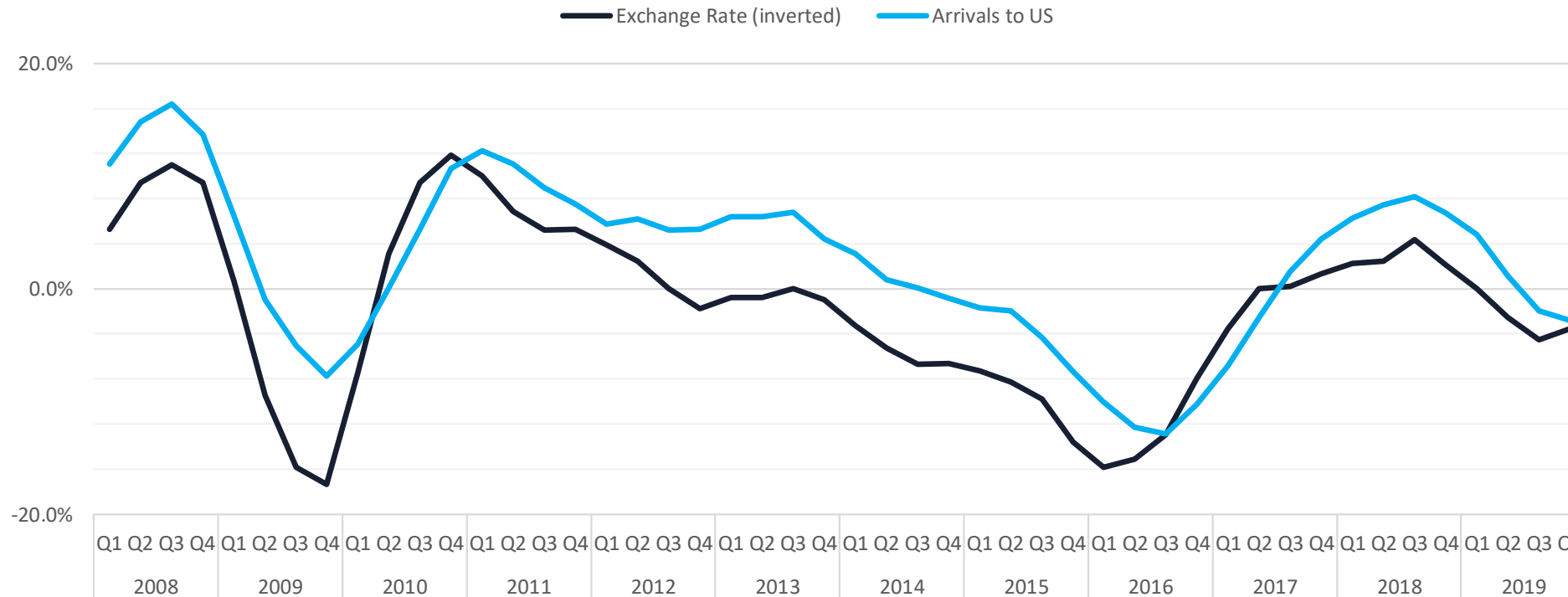
Note: The exchange rate index shows the value of the domestic currency relative to a trade-weighted basket of foreign currencies. The index is calculated on a real basis, adjusting for differentials in price inflation between countries. Periods in which the index is above its historical average (2010 to 2024) represent periods in which the domestic currency is relatively stronger than it has been historically.

Source: Oxford Economics, Haver Analytics

...which alone will constrain the Canadian market

Canada's exchange rate (inverted) vs arrivals to US

Year-over-year growth

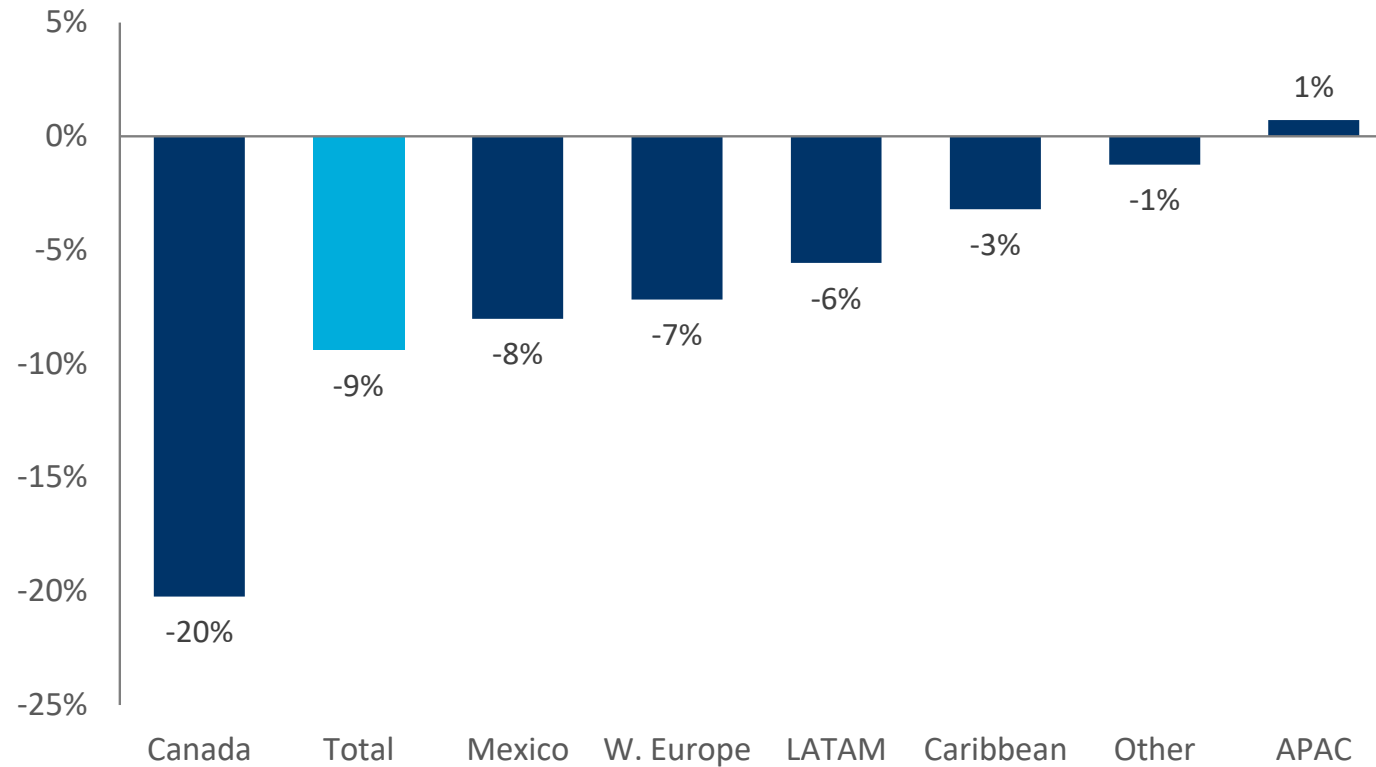


Source: Oxford Economics/Haver Analytics, NTTO, Tourism Economics

Losses are expected to be widespread

US inbound arrivals growth by key source region, 2025

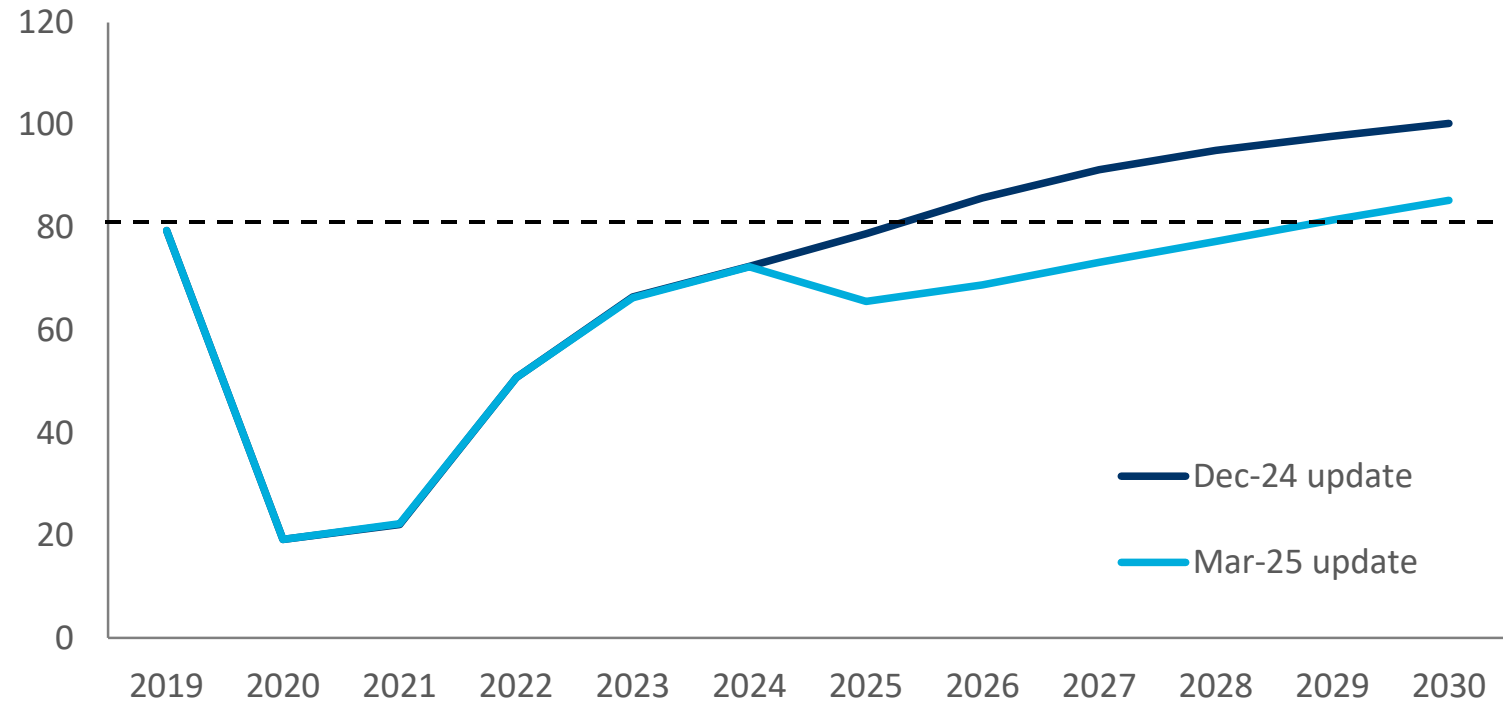
% y-y growth



US inbound arrivals recovery delayed to 2029

US inbound arrivals

Visits, mns



In December, we forecasted inbound arrivals would recover by **2026**.

Our latest estimate suggests this will occur in **2029**.

Recovery delayed to
2029

Source: Tourism Economics

Final thoughts

Drivers and Roadblocks

Domestic Leisure

- + Real income growth
- + Solid balance sheets
- + Tax cut extensions
- Tariff effects on prices
- Tariff effects on income
- Economic policy uncertainty
- Softening labor market

Domestic Business

- + Tax cut extensions
- Tariff effects
- Immigration restrictions

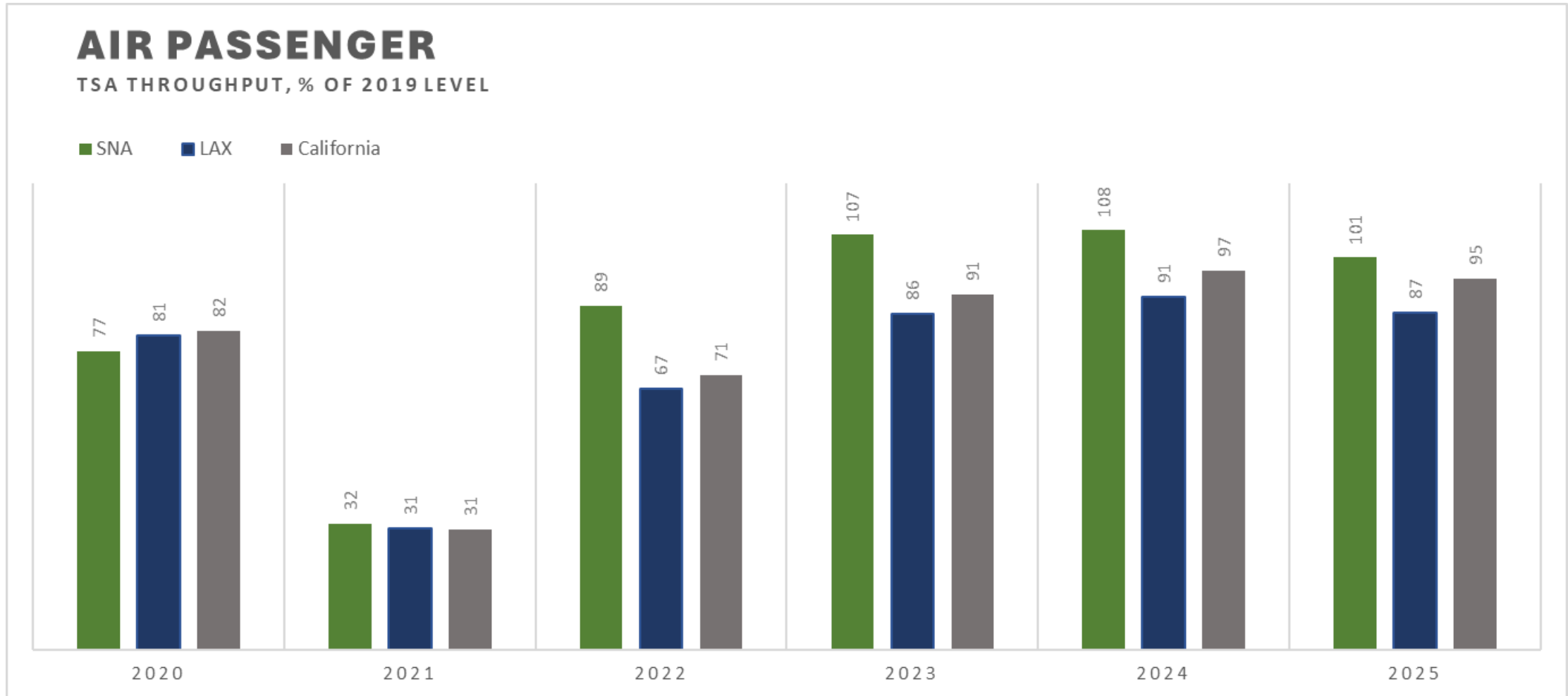
International

- + Pent up demand
- + Upcoming events
- Dollar strength
- Travel sentiment



Huntington Beach

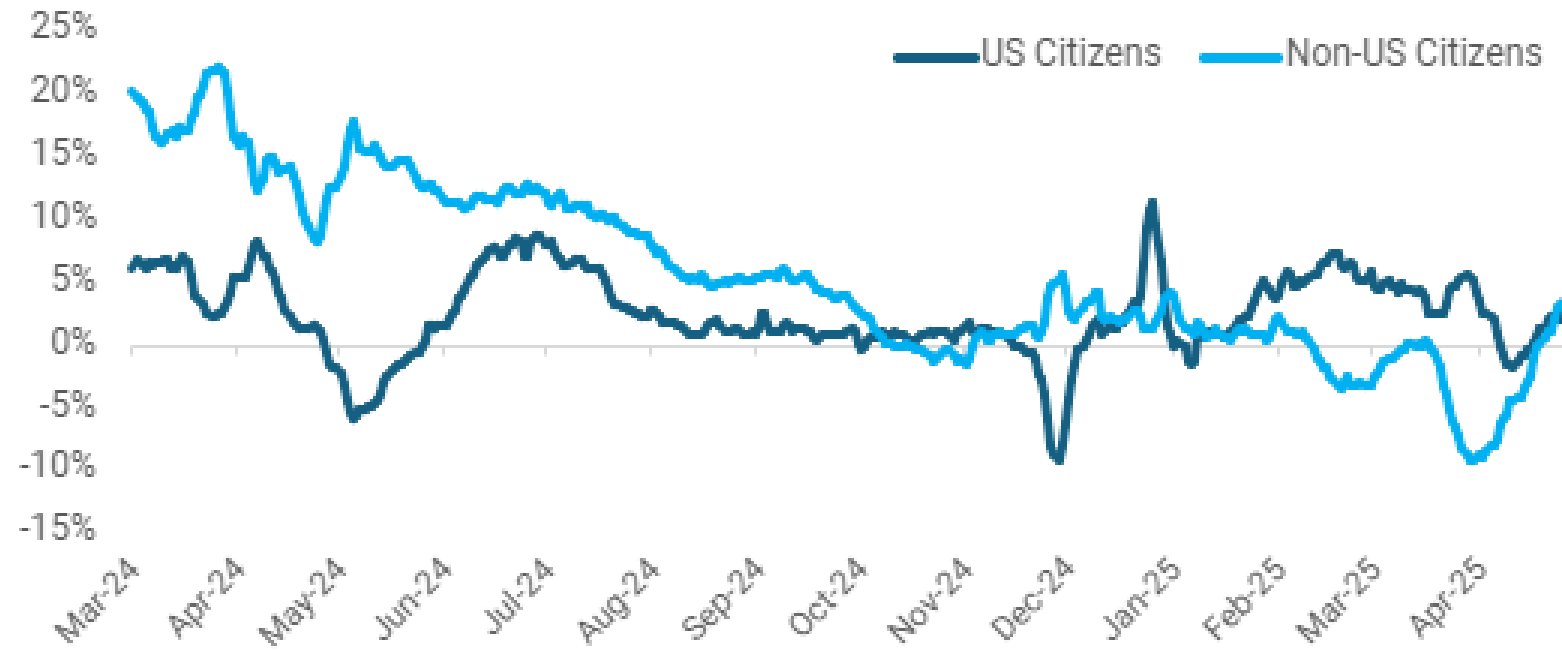
Air Travel to SNA is still strong, but slowing



Source: TSA

CBP data show a steep slide for LAX

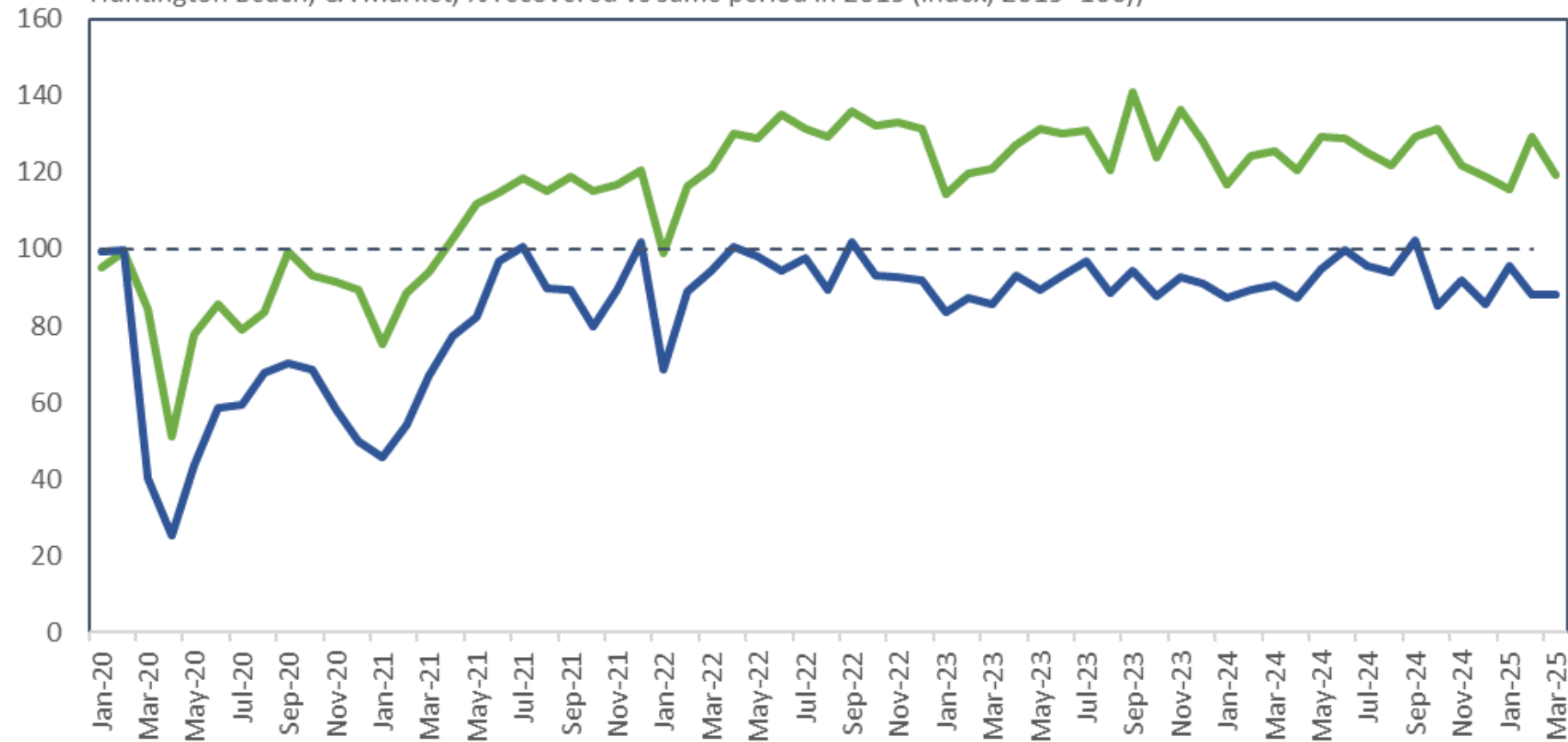
Inbound screened passengers at LAX (International Terminal)
Percent change in average pax over 28 days vs same 28 days last year



Hotel Demand trends are leveling, while rates hold

Hotel Room Average Daily Rates (ADR) & Demand

Huntington Beach, CA Market, % recovered vs same period in 2019 (index, 2019=100)



Competitive markets trending similarly this quarter

Year-over-Year % Change in Demand

	Huntington Beach, CA	Dana Point, CA	Laguna Beach, CA	Monterey, CA	Newport Beach, CA	Santa Monica, CA
Oct-24	-3.2%	8.6%	-12.7%	2.7%	2.3%	1.4%
Nov-24	-1.1%	6.9%	-14.4%	1.6%	1.0%	2.2%
Dec-24	-5.6%	-0.2%	-14.1%	3.3%	-1.2%	1.5%
Jan-25	9.5%	-1.3%	6.3%	20.5%	12.4%	-5.9%
Feb-25	-1.1%	4.8%	2.3%	3.3%	7.0%	4.0%
Mar-25	-2.8%	-2.2%	-1.8%	1.9%	5.5%	-4.4%

Source: STR

While holding more rate

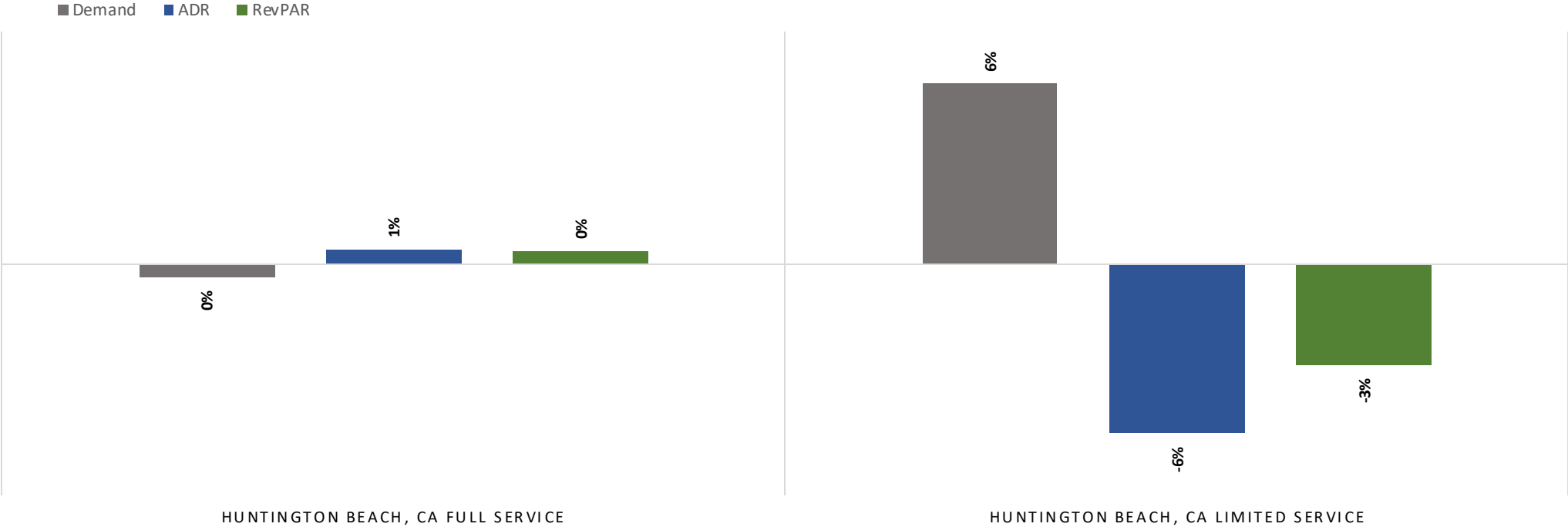
Year-over-Year % Change in ADR

	Huntington Beach, CA	Dana Point, CA	Laguna Beach, CA	Monterey, CA	Newport Beach, CA	Santa Monica, CA
Oct-24	6.0%	-0.9%	7.1%	-3.9%	4.4%	-4.4%
Nov-24	-10.7%	-1.1%	3.2%	3.8%	0.5%	-6.1%
Dec-24	-7.4%	0.6%	7.9%	2.5%	3.3%	-0.2%
Jan-25	-1.2%	8.5%	35.8%	5.1%	12.4%	4.7%
Feb-25	4.0%	2.1%	9.7%	-2.8%	2.1%	2.0%
Mar-25	-4.8%	-10.8%	-4.6%	0.0%	-0.6%	0.4%

Select Service Properties affecting market ADR

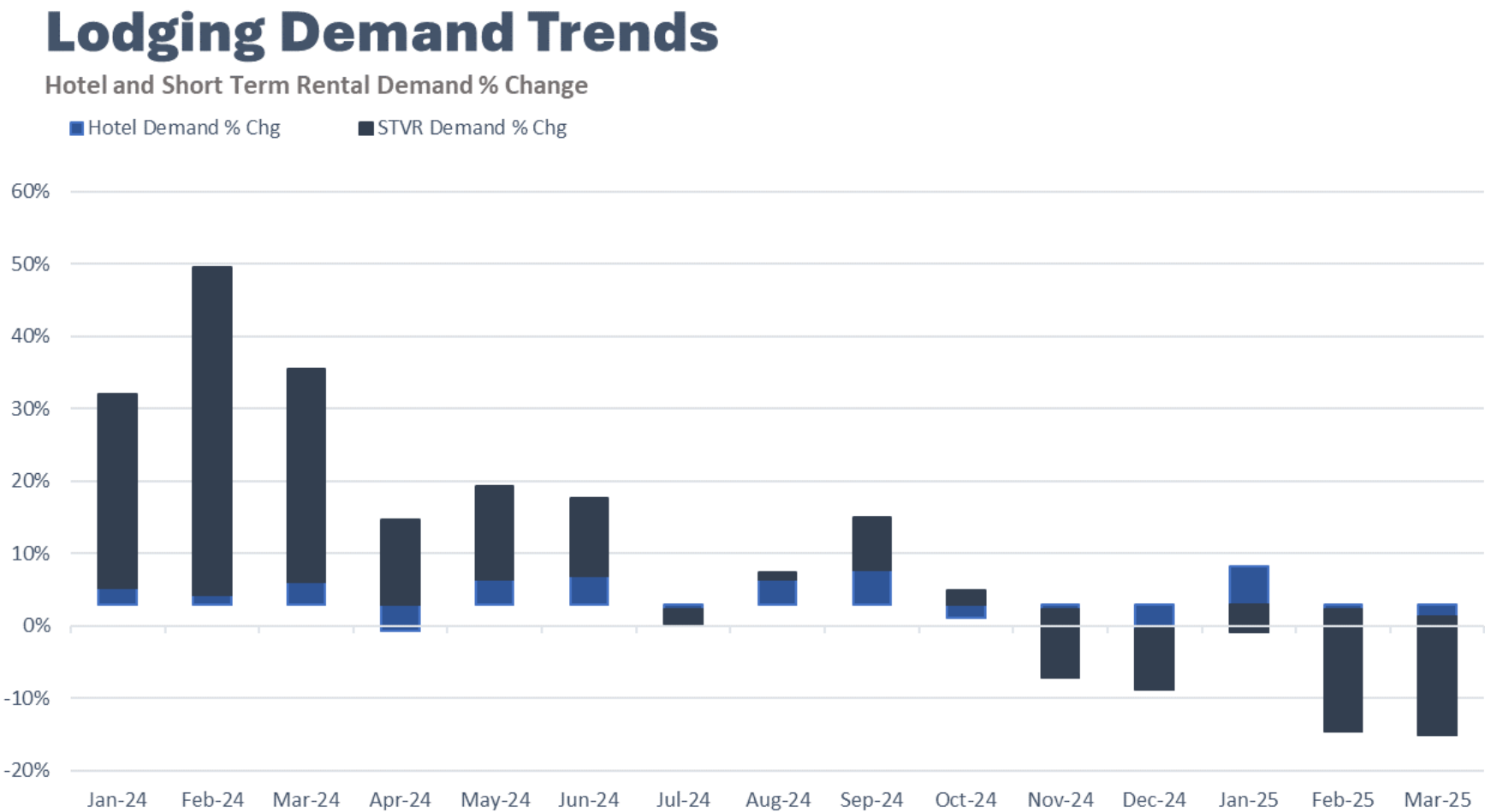
HOTEL TYPE PERFORMANCE

HUNTINGTON BEACH, CA HOTELS YTD MARCH 2025



Source: STR, Inc

Lodging Trends still increasing in STR

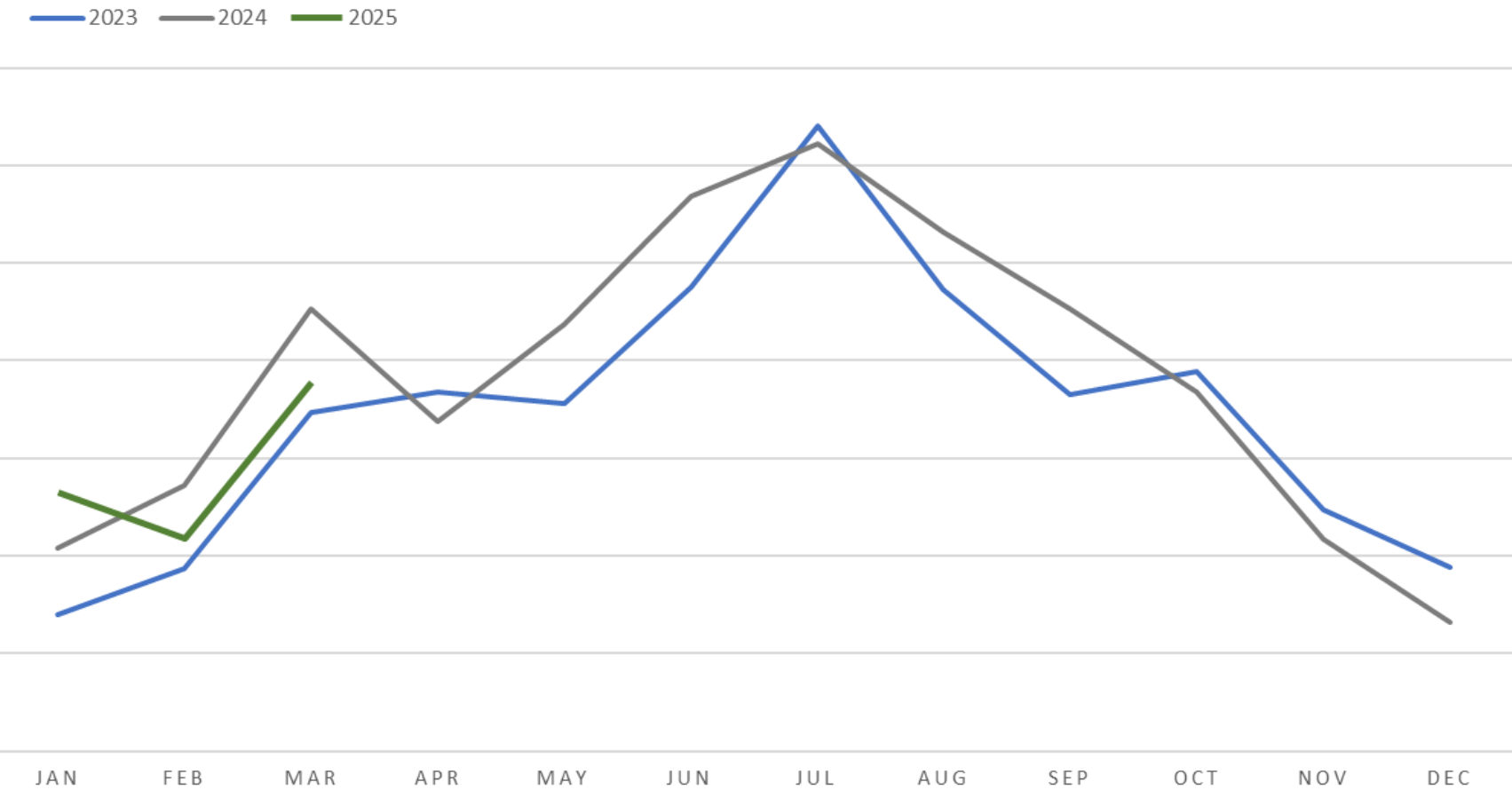


Source: STR, Inc & KeyData

Aggregated lodging demand is down

LODGING DEMAND CHANGES

HUNTINGTON BEACH AGGREGATED SHORT TERM RENTALS AND HOTEL



Hotel Demand YTD
March +1.4% vs
2024

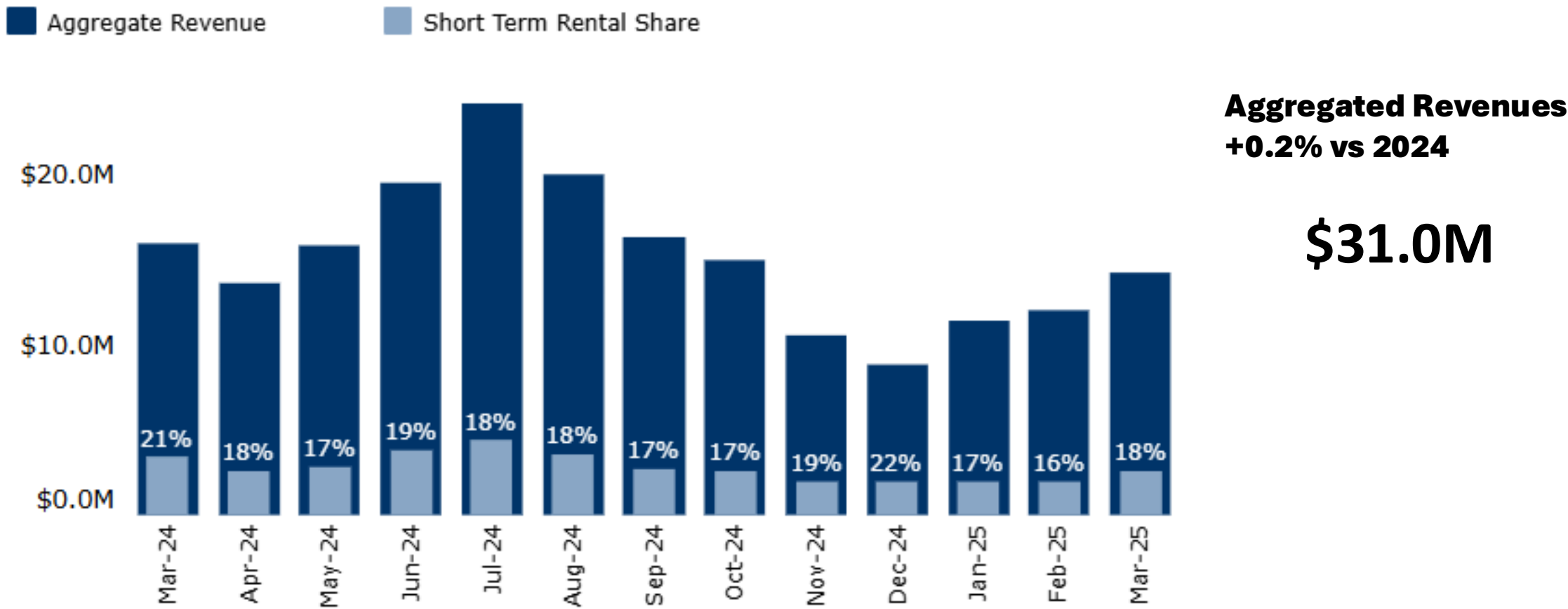
Short Term lodging
YTD March -29.6%
vs 2024

Source: STR, Inc & KeyData

Hotels make up over 80% of the lodging revenues

Lodging Revenue & Contribution

Hotels: Huntington Beach, CA; KeyData: Vacation Area - Huntington Beach



Source: STR, Inc & KeyData

The best thing about travel?

Travel is resilient!

