

EXCLUSIVE MEMBER UPDATE

MarketSHARE

July 29, 2020



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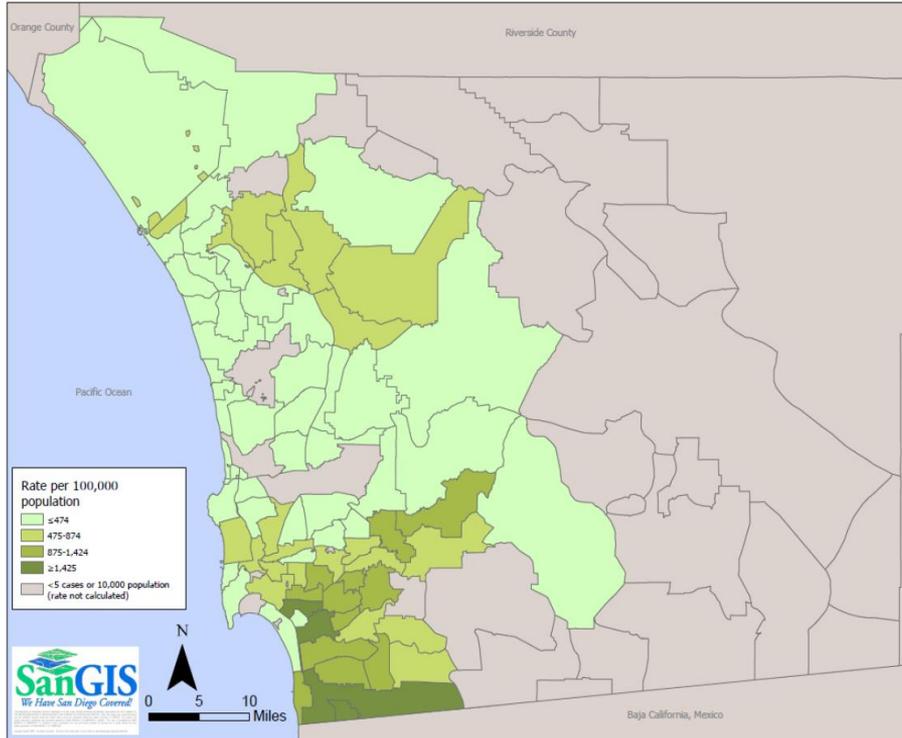
Kerri Kapich

COO
SAN DIEGO TOURISM AUTHORITY

FEATURING



COVID19 Cases per 100k Residents, 7/18/20



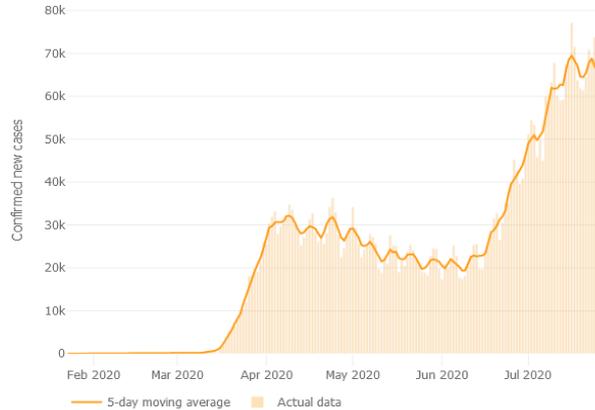
Economic Snapshot: Road to Recovery

Dr. Ryan Ratcliff

Associate Professor
of Economics

June '20: A Light at the End of the Tunnel?

US & CA New COVID-19 Cases

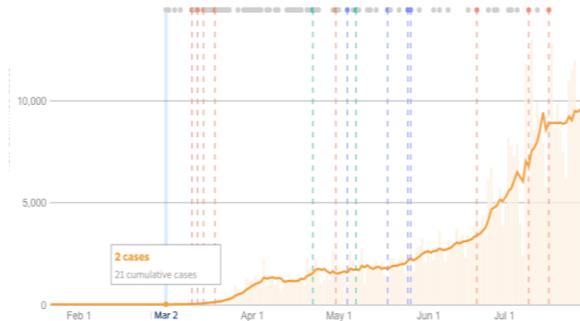


Our econ data runs March - June

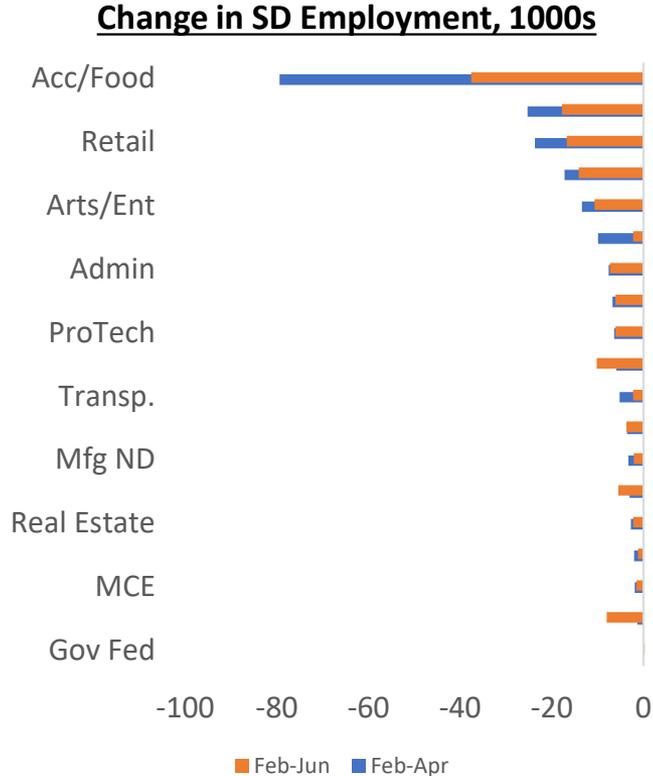
- Mar – Apr: initial surge
- Apr – May: starting to improve (US)
- May – June: continued improvement

CA and SD never saw declining cases

Upcoming June – July data....



SD Employment in 2020



- SD high tech and DoD saw relatively smaller job losses
- SD Durable Mfg. significantly more resilient than US – so far...
- Non-COVID health care (eg dentists), Retail, and Leisure/ Hospitality all see bigger losses in SD than US.
- 66% of 205k jobs lost were in just 2 sectors: Lei/Hosp and Retail. 41% of jobs lost in April were in hotels and restaurants, but more than half came back by June.

Resiliency & Recovery: Private Sector



Y axis based on Chicago study of occupations that can work remotely. If we think in bands..

- 23% of SD GDP is high tech, high wage sectors also have high flexibility of working arrangements.
- 32% is very difficult to do remotely, so the transition to a “new normal” means a longer disruption.
- A lot of what’s in the middle is gov’t and real estate (not shown).

Looking Ahead...



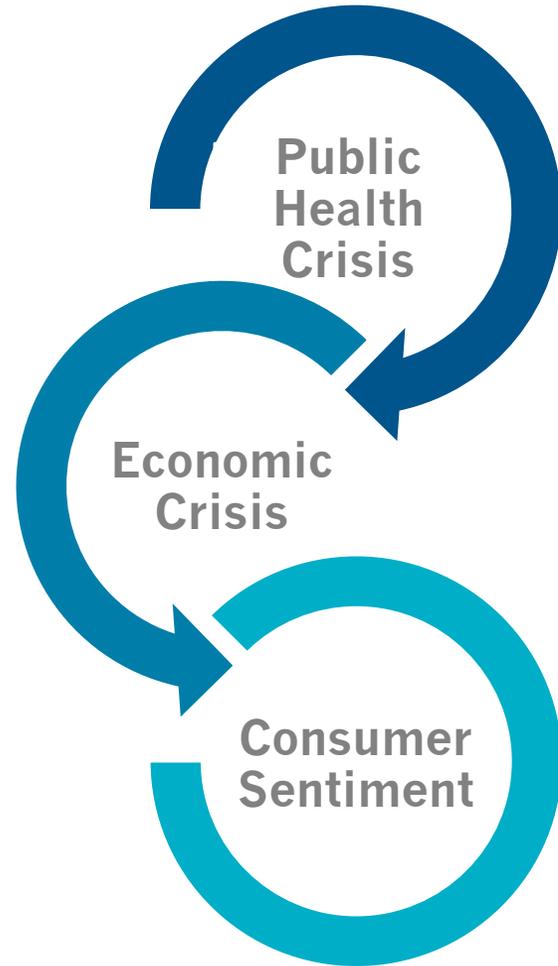
- We're so far off the map that any forecast for time to recovery is just a guess.
- 3 ways to beat the virus: immunity, improved therapy, or real-time testing. All are far off...
- Much of the problem for consumers and business is uncertainty: Is it safe to eat out? If I reopen with a new business model, will I have customers? The cure for uncertainty is information and credible risk management.
- In the meantime, we have to learn to do what we do *differently*: short-term economic recovery based on innovating new socially distant business models.



San Diego Tourism Outlook Research Discussion

JULY 29, 2020

COVID-19 Crisis Framework



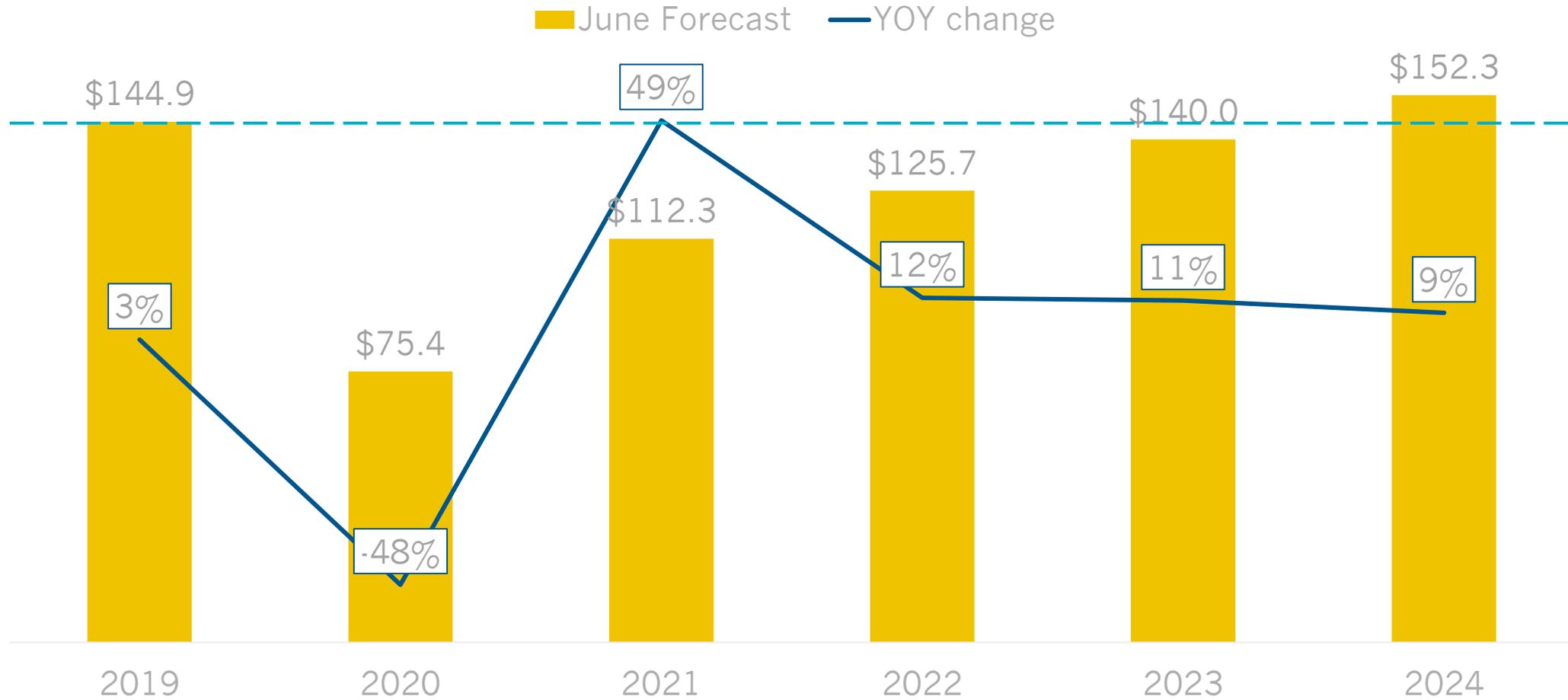
CALIFORNIA TOURISM
PRODUCT READINESS

- We will need to evaluate recovery through the multiple lenses of **Public Health Crisis**, the **Economic Impact**, and **Consumer Sentiment**;
- We'll look at all three of these briefly (Public Health, Economic and Consumer Sentiment);
- We'll explore if moving forward we can find a path that “de-couples” some of these elements to provide an opportunity for sustainable economic activity.

5-Year Forecast

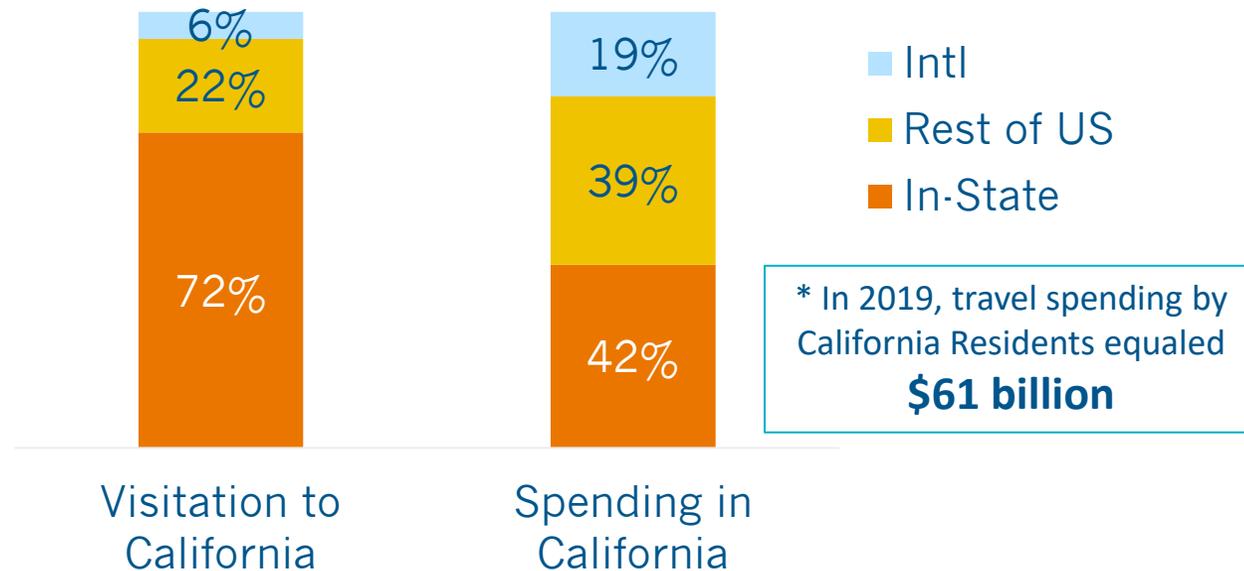
Through 7/11...

- \$1.9 billion in state and local taxes lost

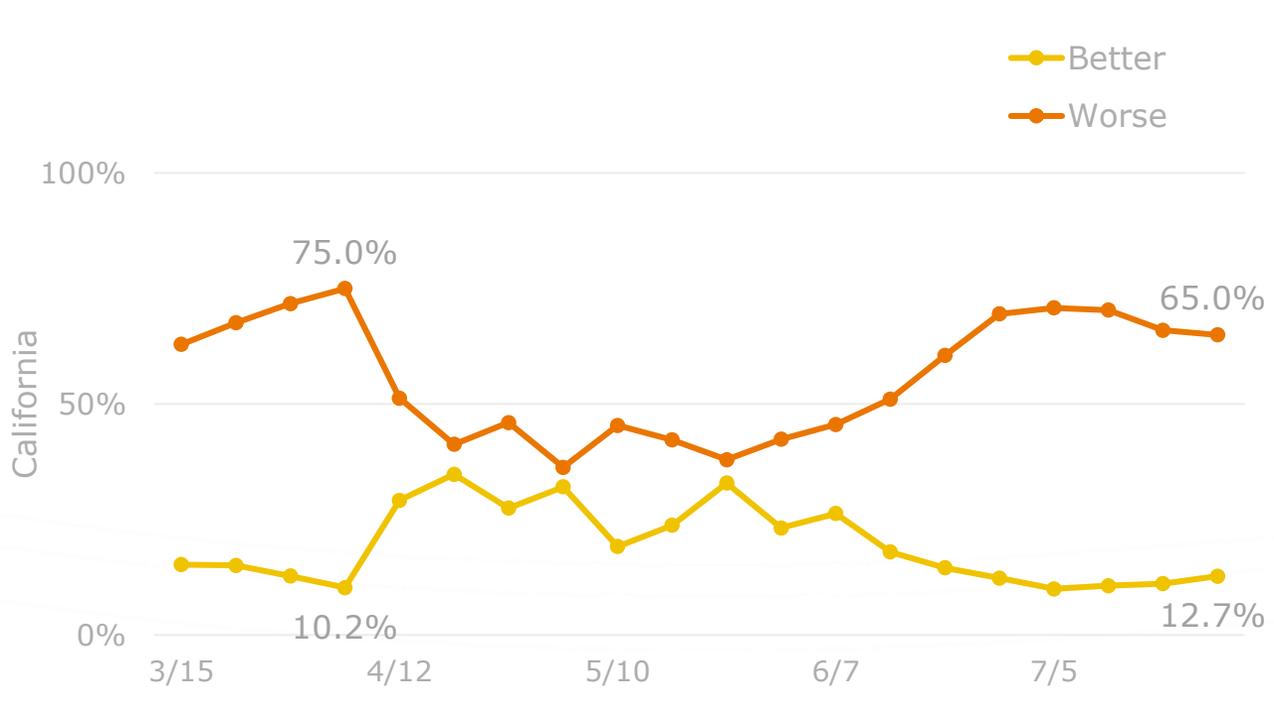
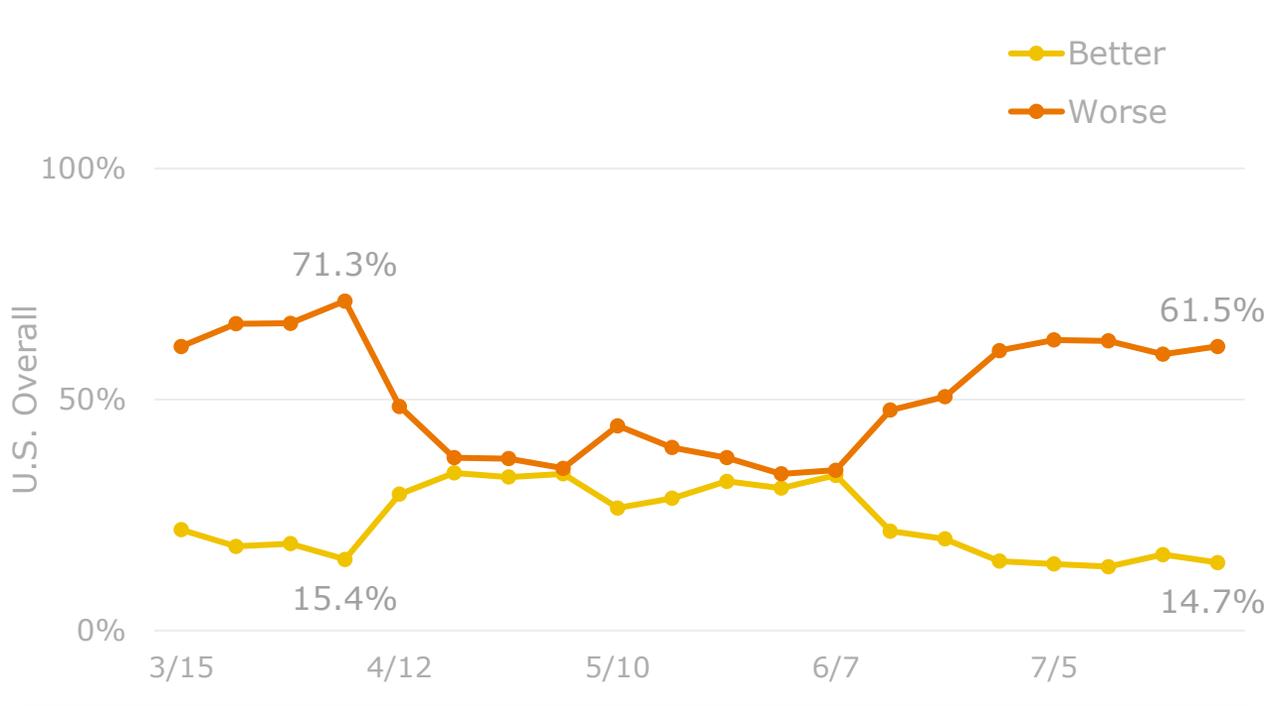


California In-State Market Opportunity

Total Visitation and Spend



- The abundance of California in terms of both population and geographical size means that California can call upon our own residents to make a sizeable impact in our tourism industry recovery.
- Under normal conditions, 72% of all tourism visits in California are by California's own residents, and they account for 42% of all tourism spend in California.
- With local travel seen as safer in the short term, we can rely on - and further stimulate - in-state destination spending and then Western drive markets.



Will Conditions Improve or Worsen in Next Month?

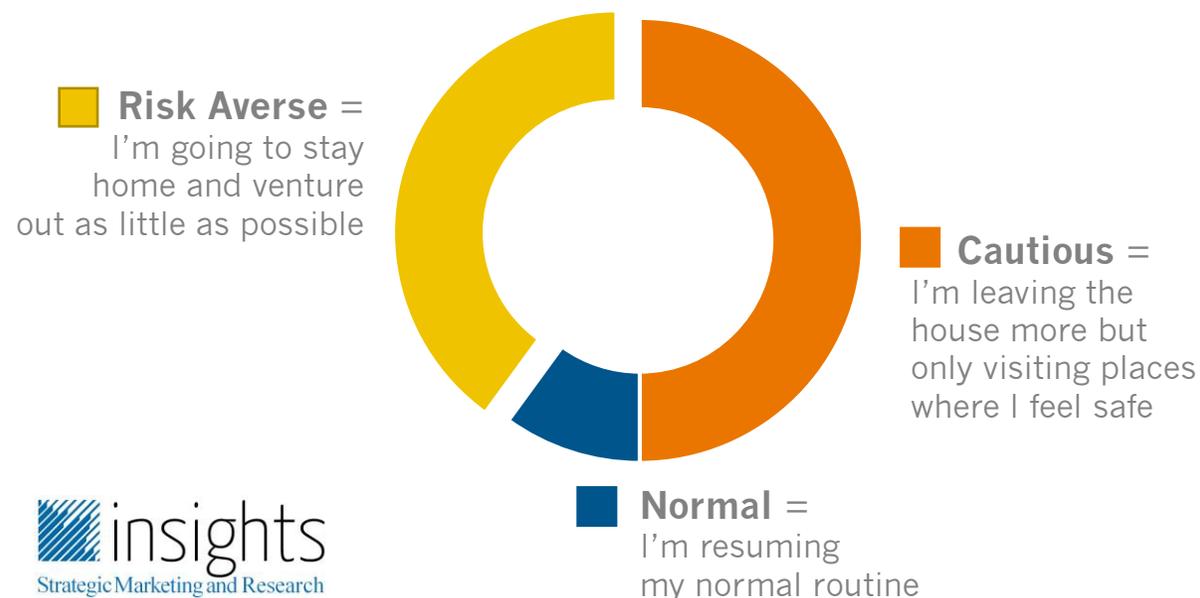
- Sentiment will change over time as conditions change and as the media narrative shapes public opinion.
- Californians are showing more concern than the U.S. overall that conditions might worsen in the next month.

Source: Destination Analysts

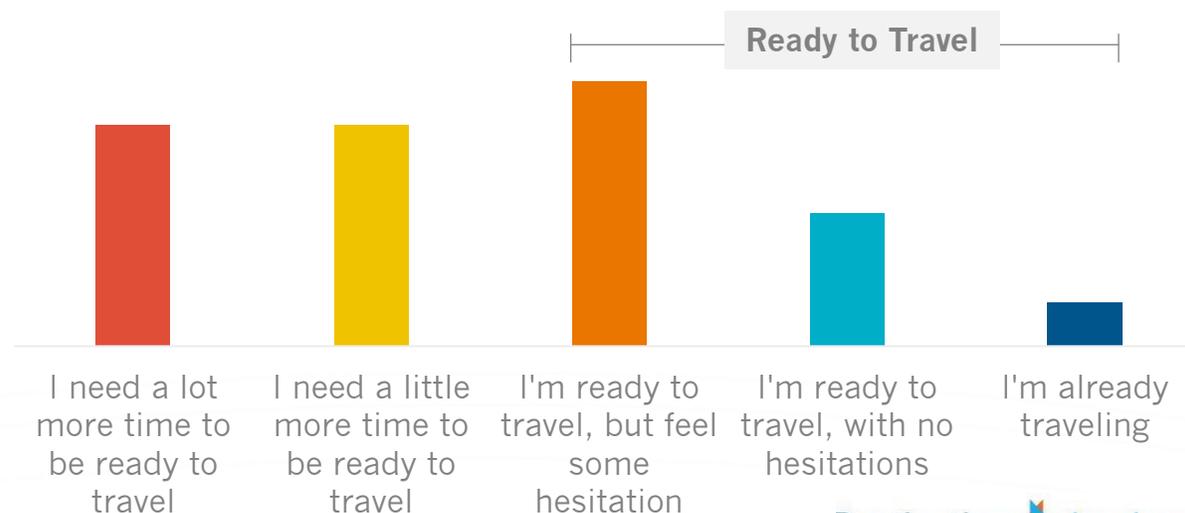
2 Summary Indicators of Consumer Sentiment

- Mindset Toward Resuming Activities (SMARInsights)
- Mindset Toward Travel (Destination Analysts)

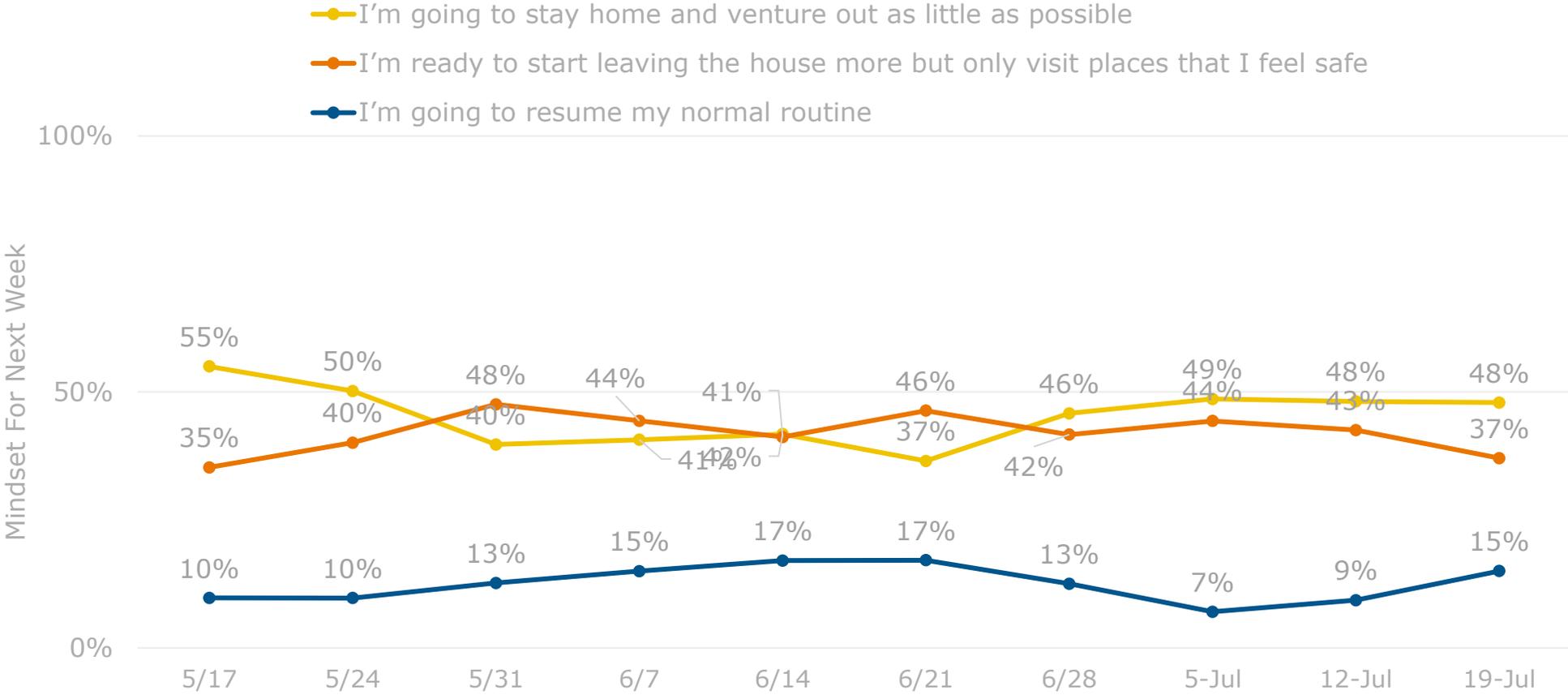
Mindset Toward Resuming Activities (Next Week)



Mindset Toward Travel (Right Now)

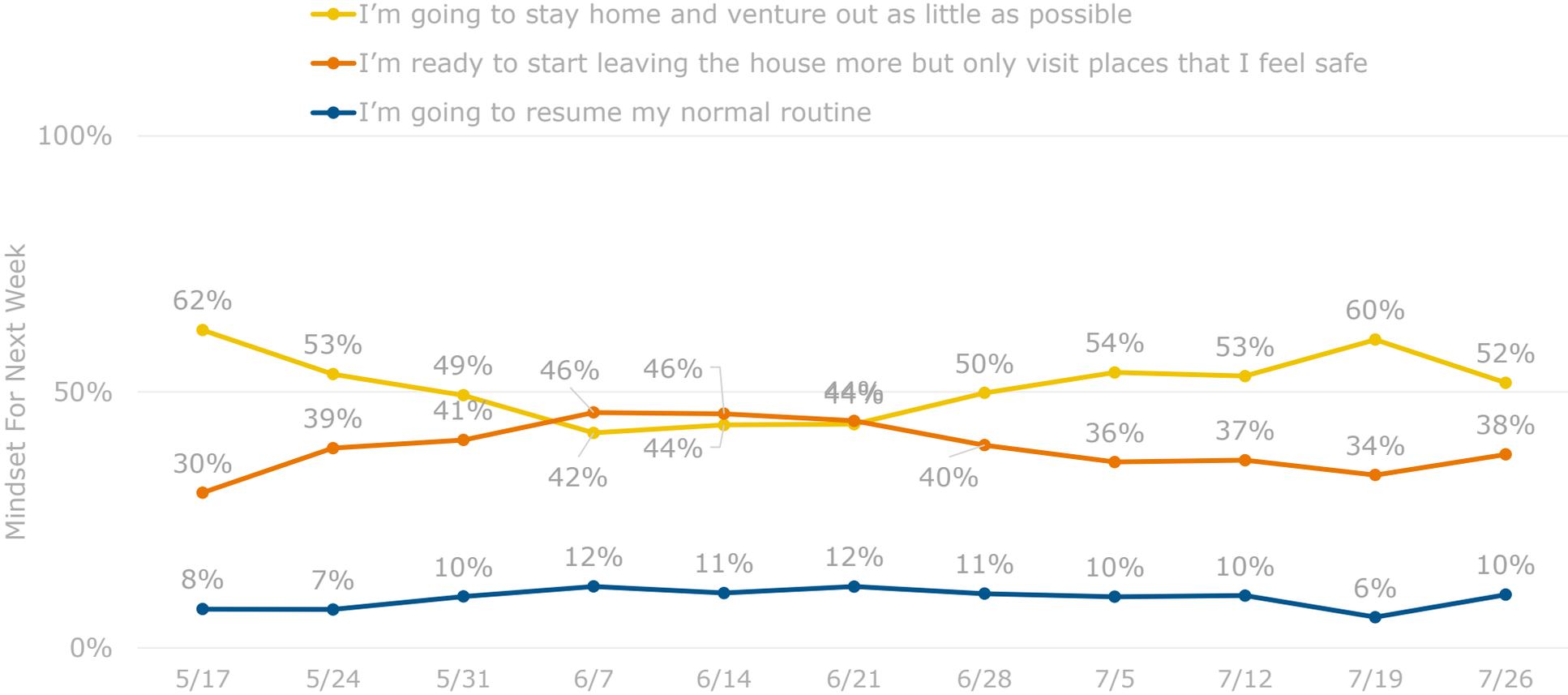


Mindset Towards Resuming Activities (National)



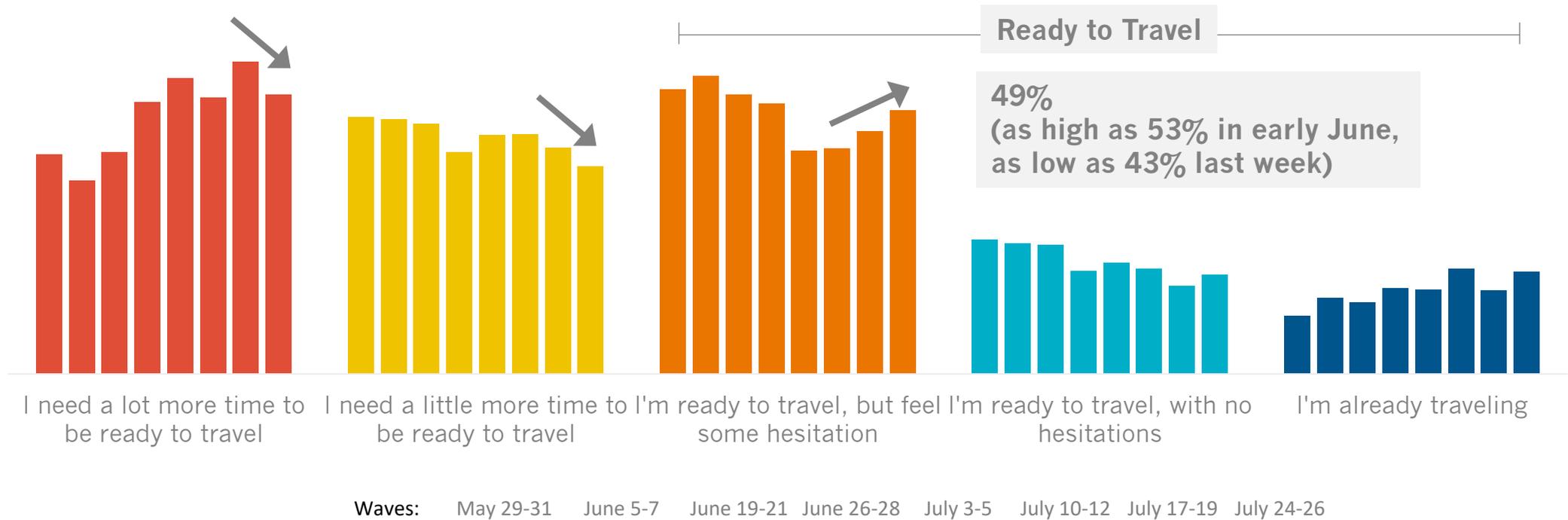
Source: SMARInsights Weekly Travel Insights Study

Mindset Towards Resuming Activities (CA Residents)

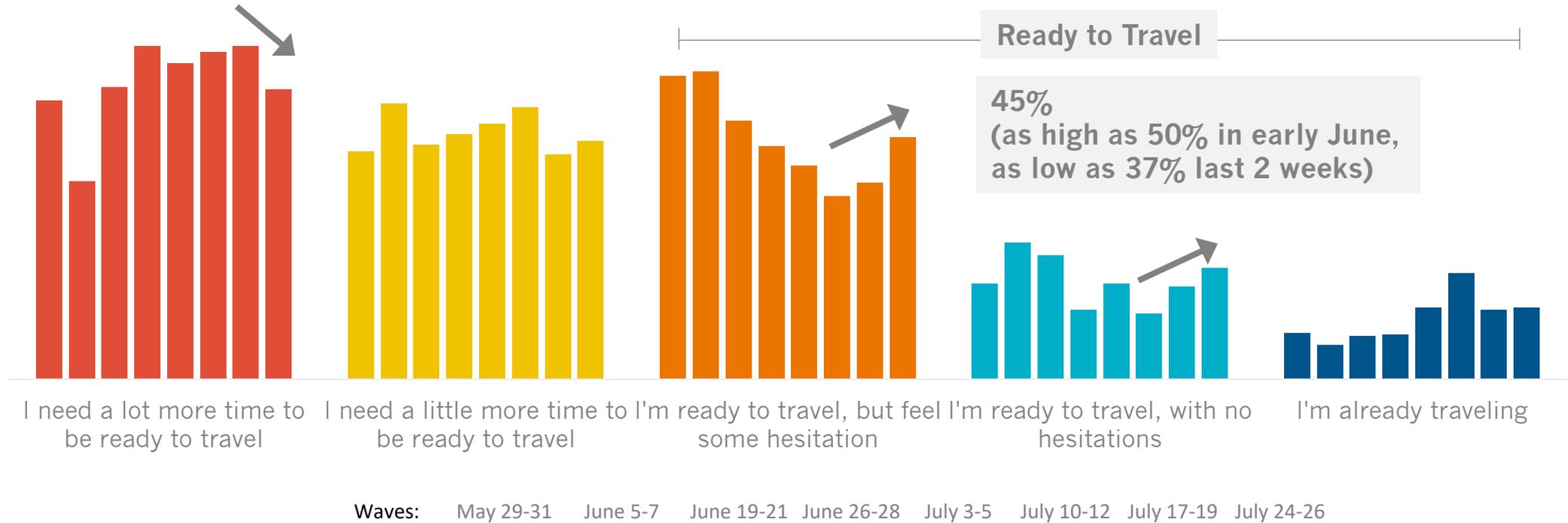


Source: SMARInsights Weekly Travel Insights Study

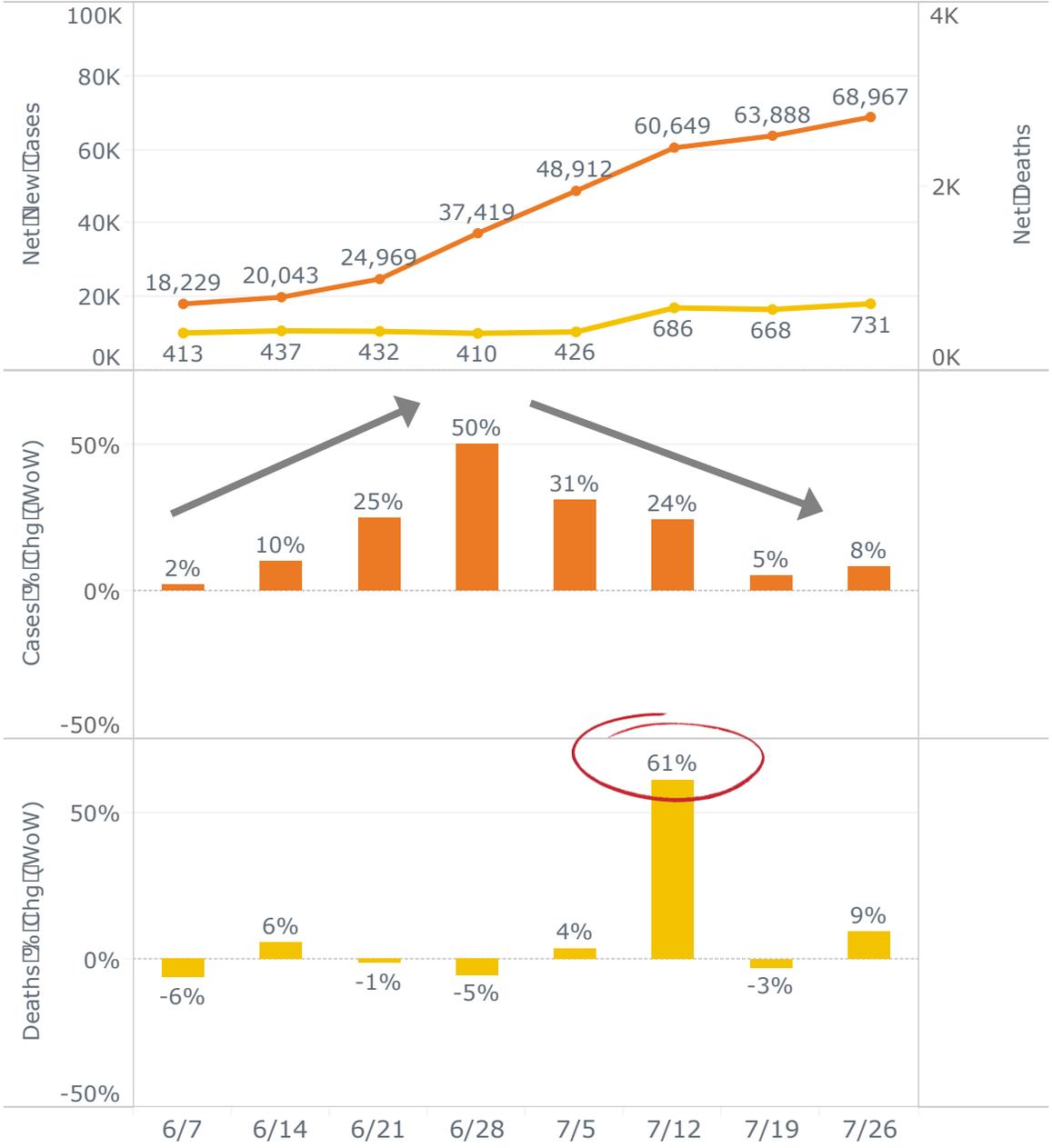
Mindset Towards Travel (National)



Mindset Towards Travel (California)



■ Net New Cases ■ Cases % Chg (WoW)
■ Net Deaths ■ Deaths % Chg (WoW)

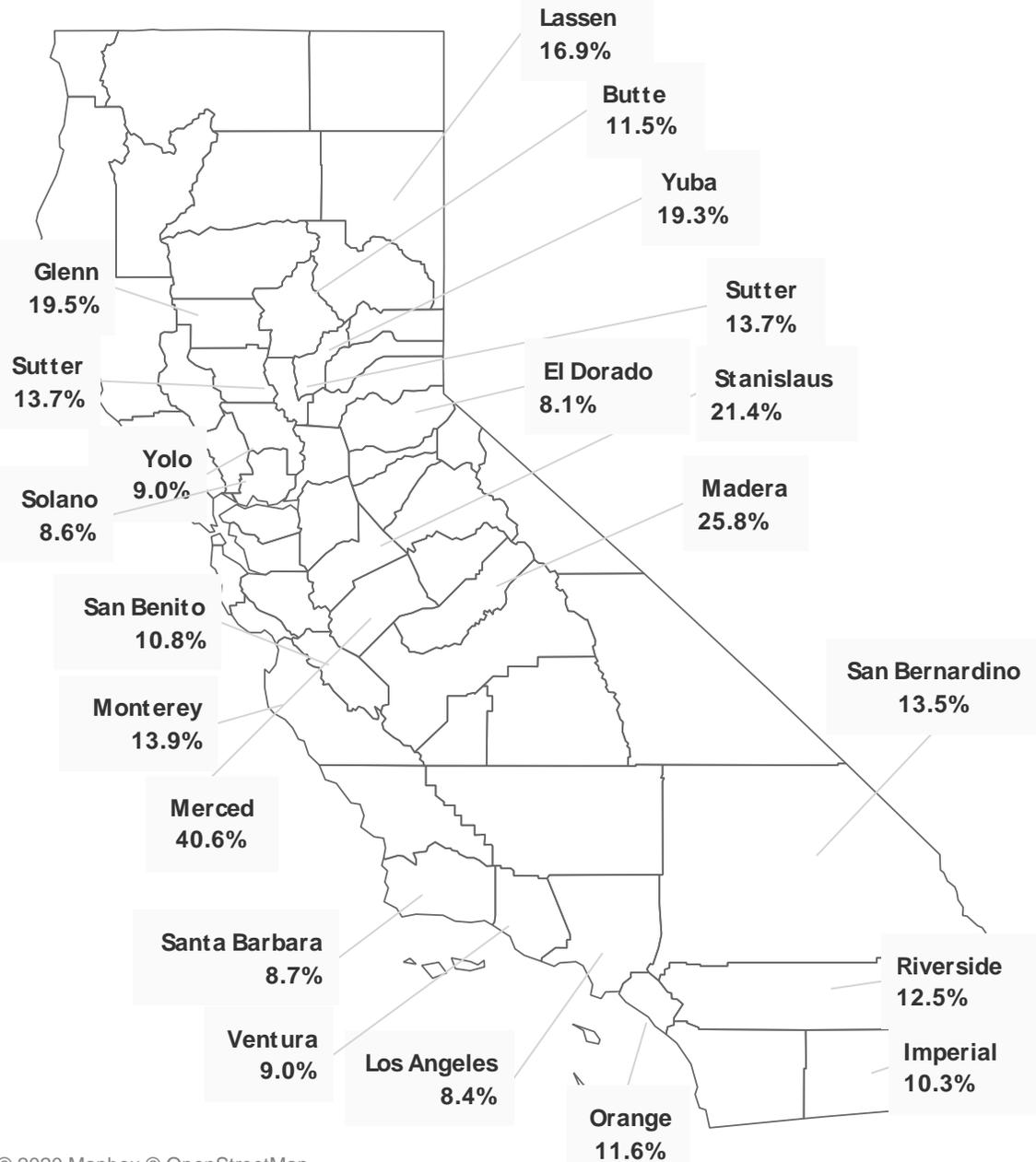


California Weekly Net New COVID-19 Cases & Deaths

- The first chart shows the weekly net new confirmed cases and deaths in California.
- Week-over-week changes in cases and deaths are shown below to indicate the rate at which California is increasing or decreasing cases/deaths.

Source: The COVID Tracking Project

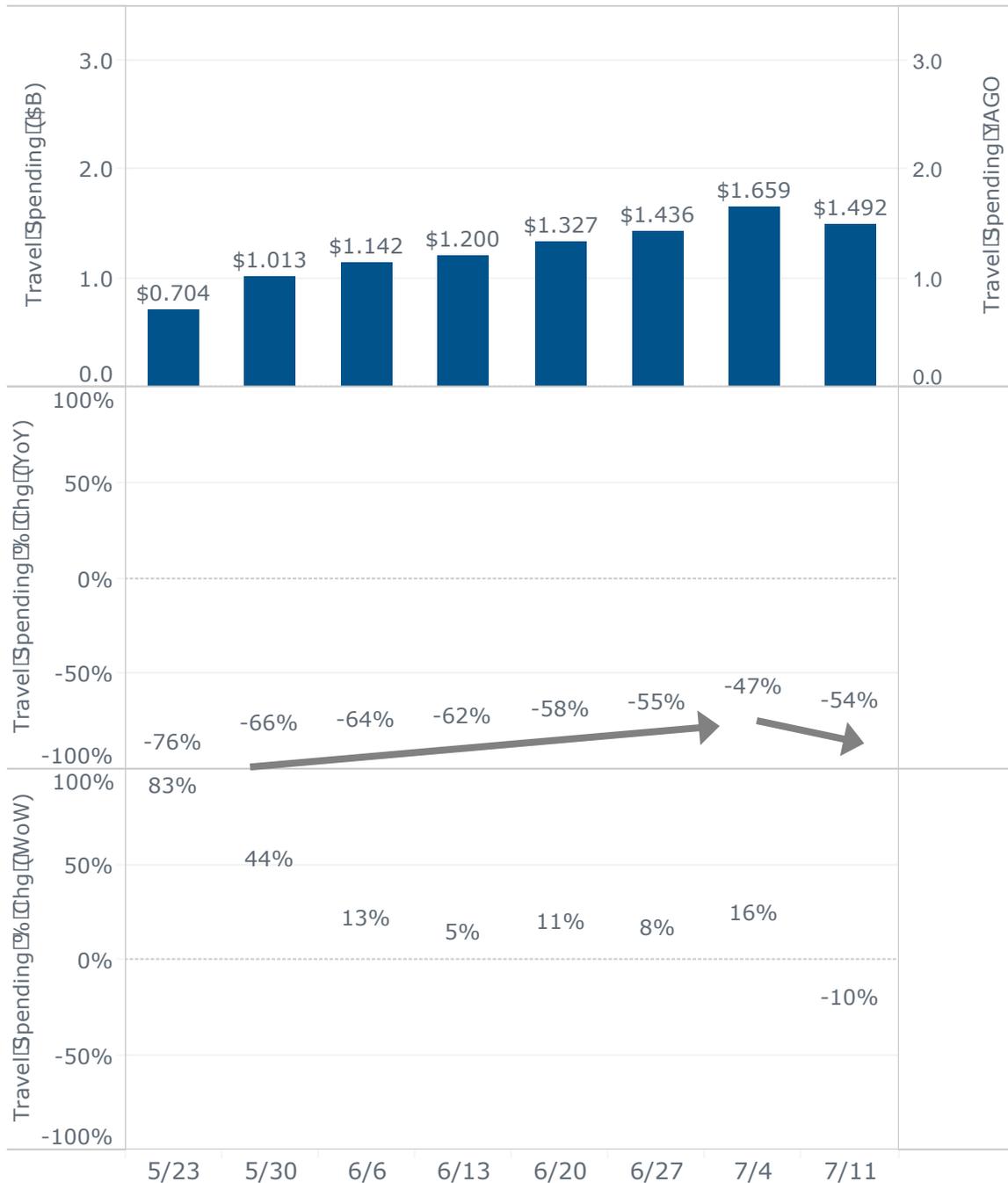
California COVID Positive Test Rate by County (prior week)



- A high positive test rate indicates that there are likely many more undetected positive cases and testing needs to be increased.
- The map shows counties highlighted with a positive test rate equal to or greater than 8%. (Note that the test rate is not available for all counties.)

Source: COVID Act Now

California Weekly Travel Spending



- The first chart shows the impact of coronavirus on weekly travel spending in California compared to travel spending for the same week in the previous year.
- The second and third charts show the year-over-year and week-over-week percent changes for spending.
- Monitor the week-over-week trend for increases as the economy begins to reopen and travel spending slowly resumes.

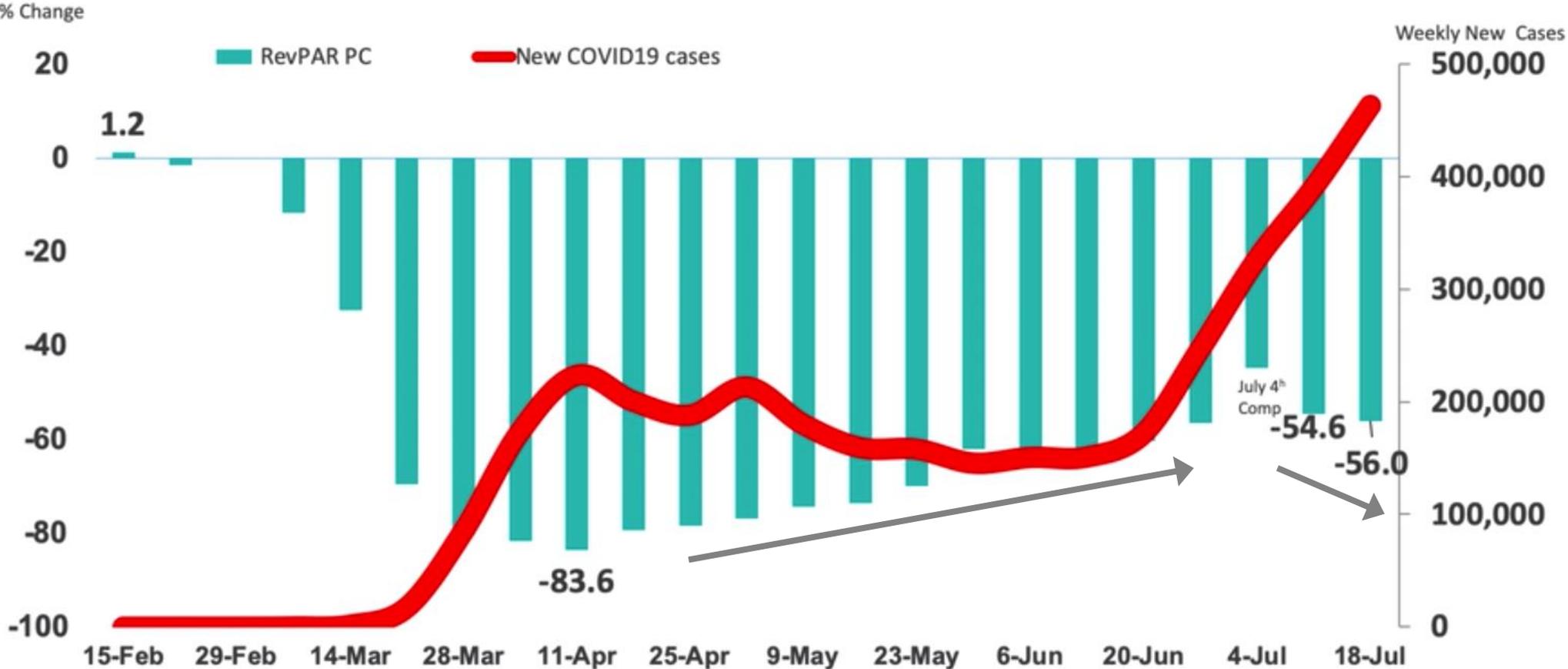
Source: Tourism Economics

Note: On June 24, Tourism Economics revised weekly spending figures for the past four weeks upward to better reflect increases in drive travel as economy reopened and travel resumed.

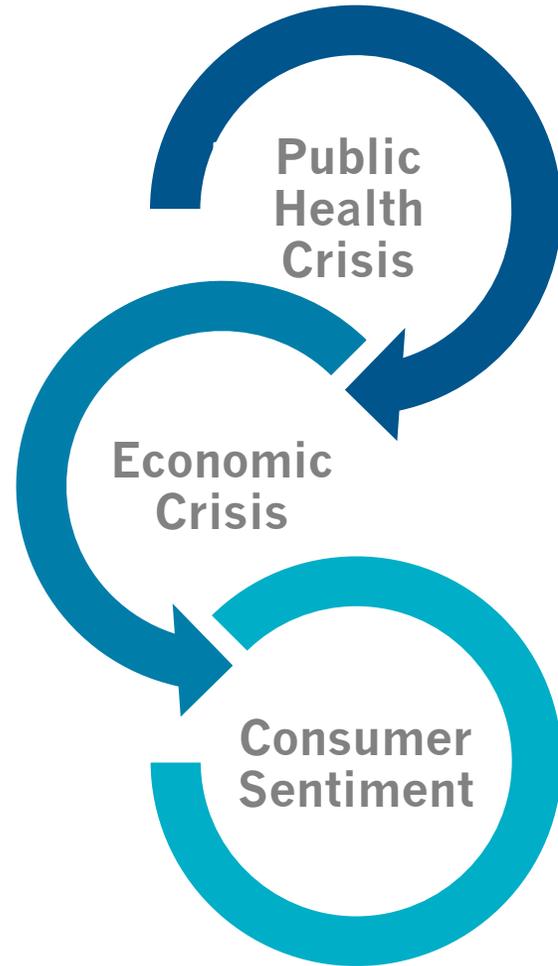
Public Health → Sentiment → Economic

Economic → Public Health?

R7 RevPAR % Change and New COVID19 Cases
Total U.S., by Week



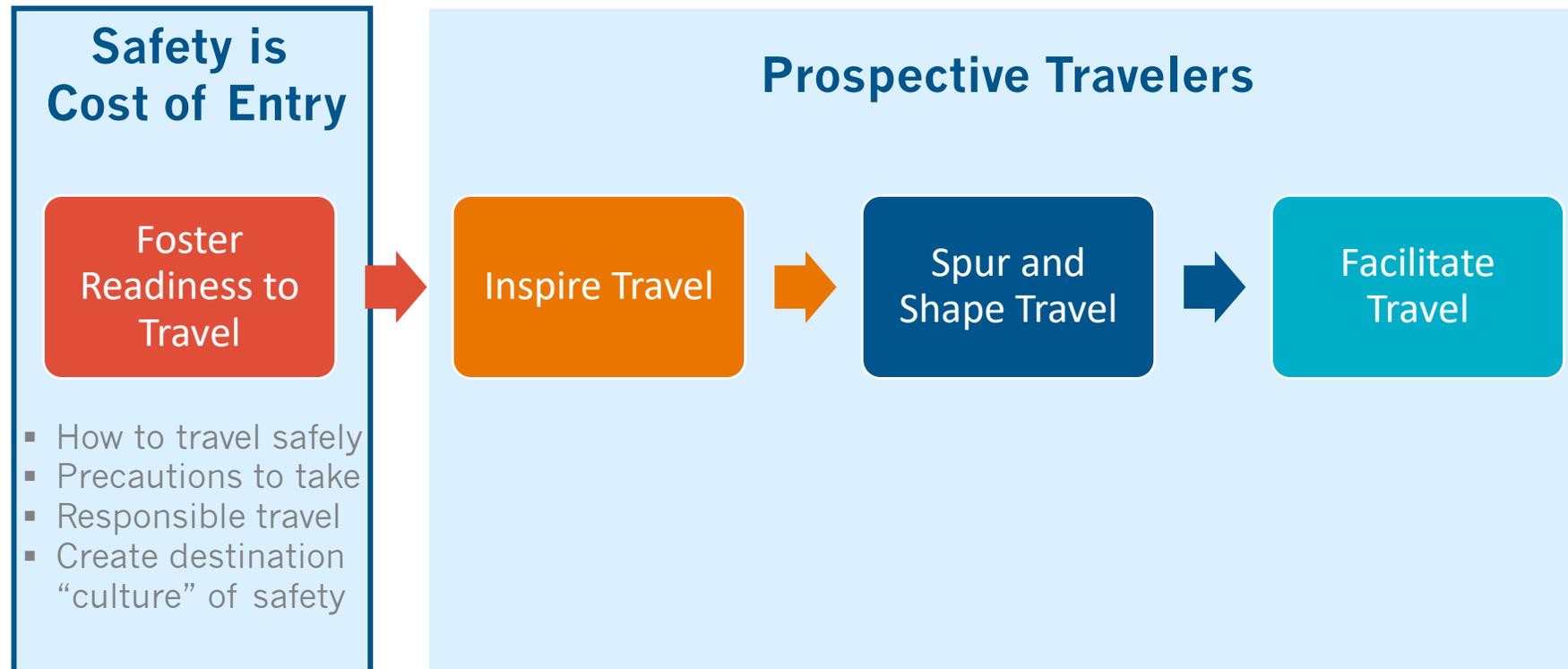
COVID-19 Crisis Framework



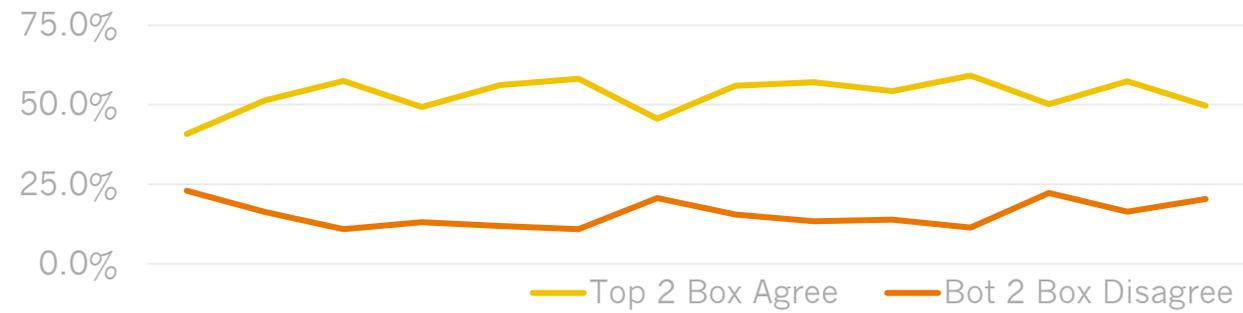
CALIFORNIA TOURISM
PRODUCT READINESS

- What could a path to sustainable economic activity look like?
 - ✓ Foster a culture that reinforces SAFETY etiquette so that we can have an increase in economic activity without a severe impact on virus transmission
 - ✓ Move more consumers from Risk Adverse to willing to engage BUT SAFELY

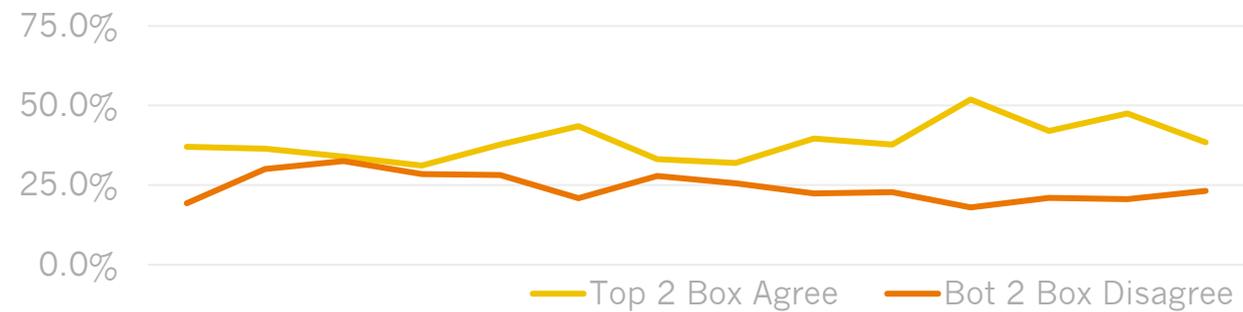
In-COVID Marketing Challenge



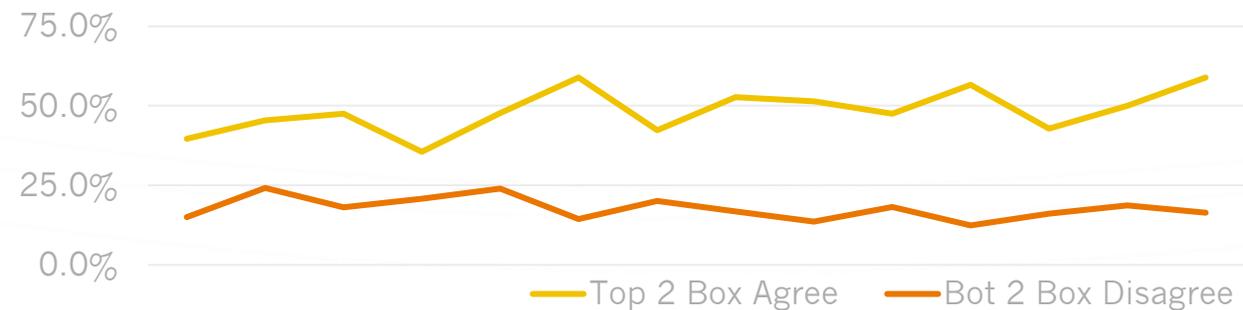
I'll take **staycations** this summer rather than a vacation



I'll take more **road trips** this year to avoid airline travel



I'll take **regional trips** near my home and avoid long-haul travel



What does “new travel” look like?

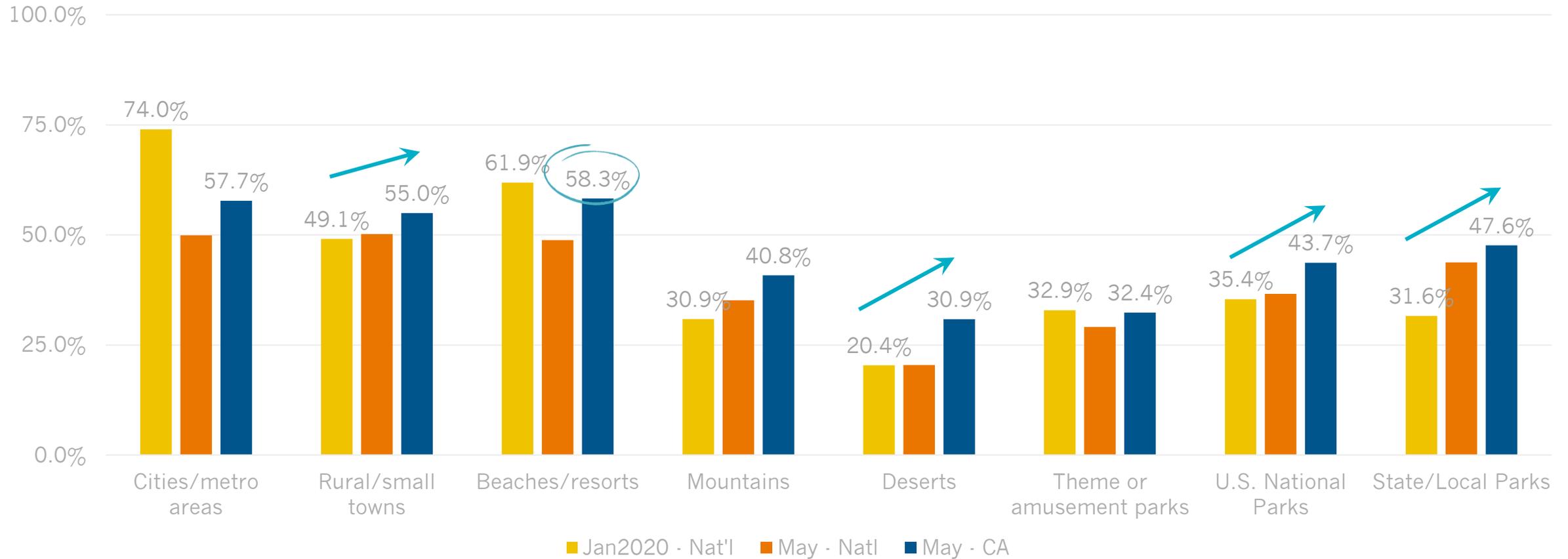
- Change in TYPES of trips:
- Concerns about safety are making certain travel choices look more attractive: staycations, road trips, regional trips.

Source: Destination Analyst

Change in HOW we travel: road trips, regional trips, staycations.

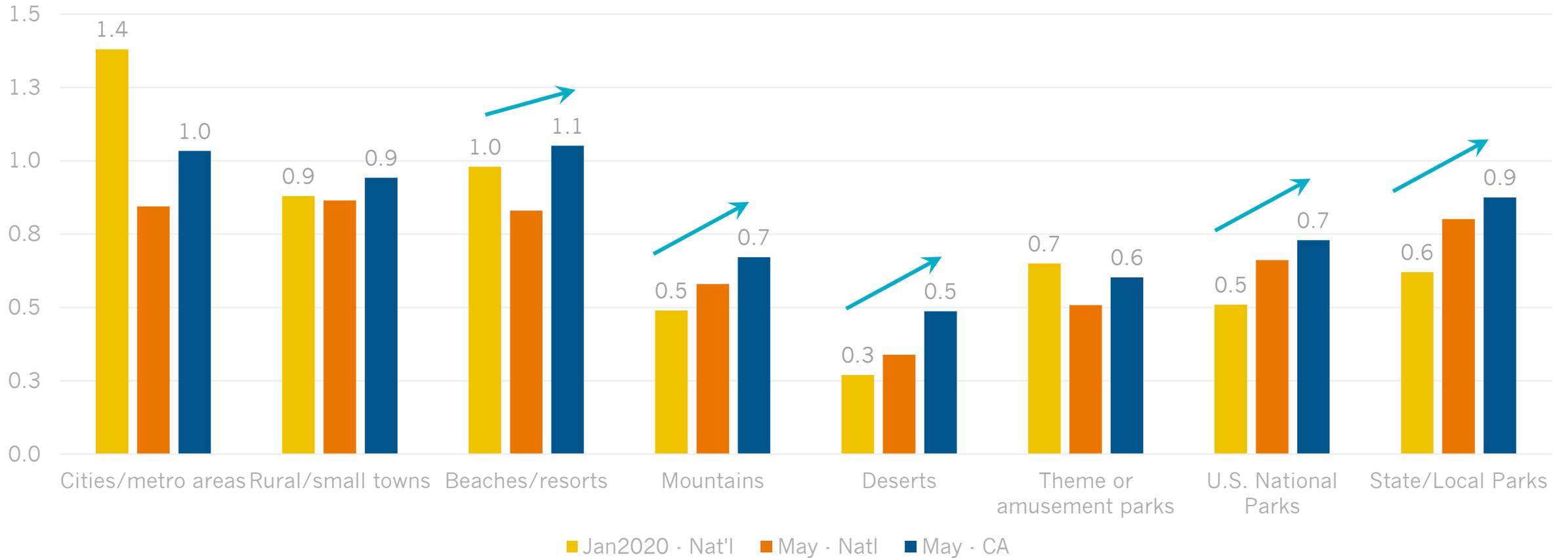
We also see a change in types of DESTINATIONS...

In the next 12 months, which of these type of destinations do you intend to visit?

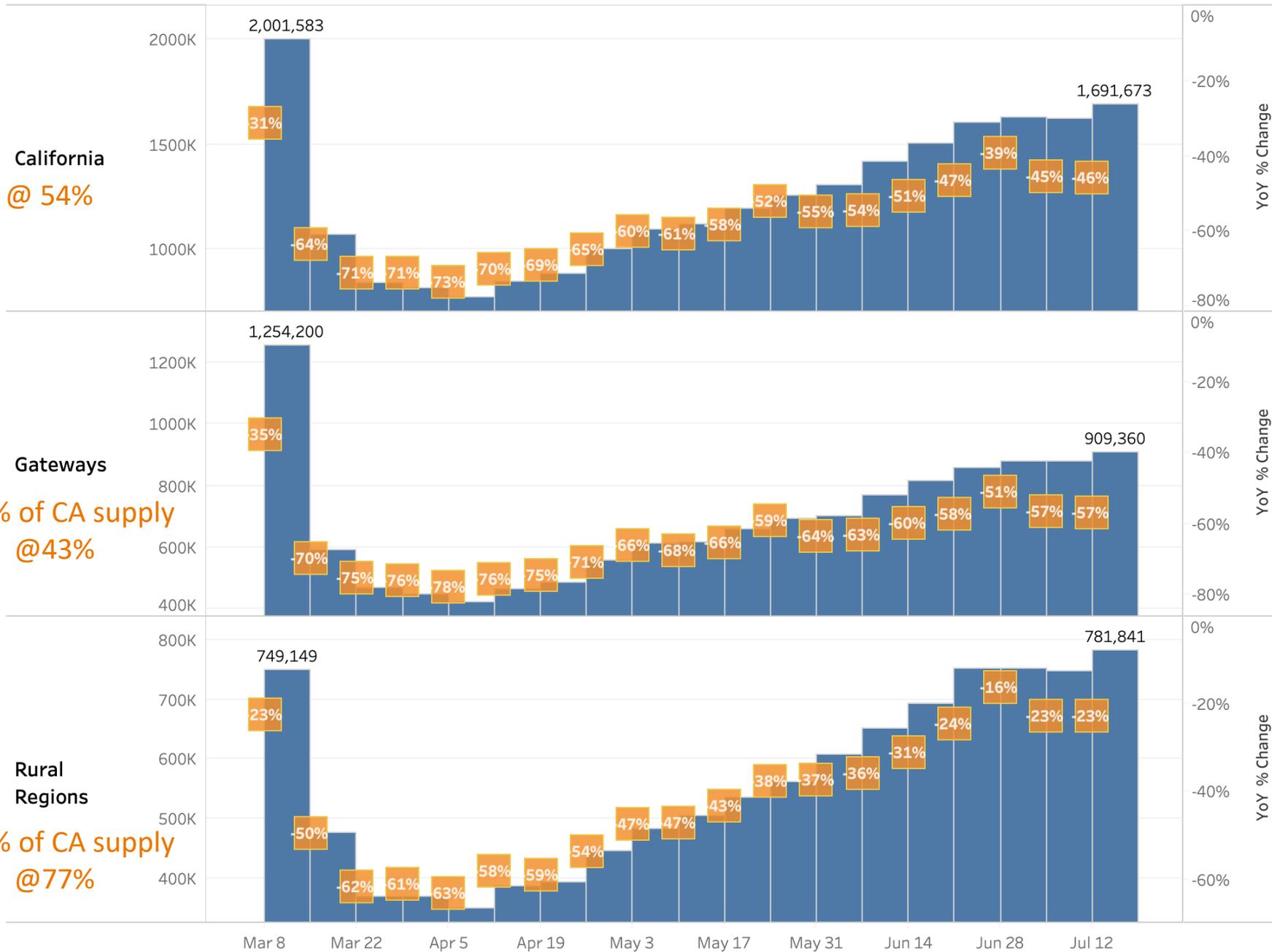


There is also expectation to take MORE trips than pre-COVID to these natural areas

In the next 12 months, how many trips will you take that will include...?



California Room Demand

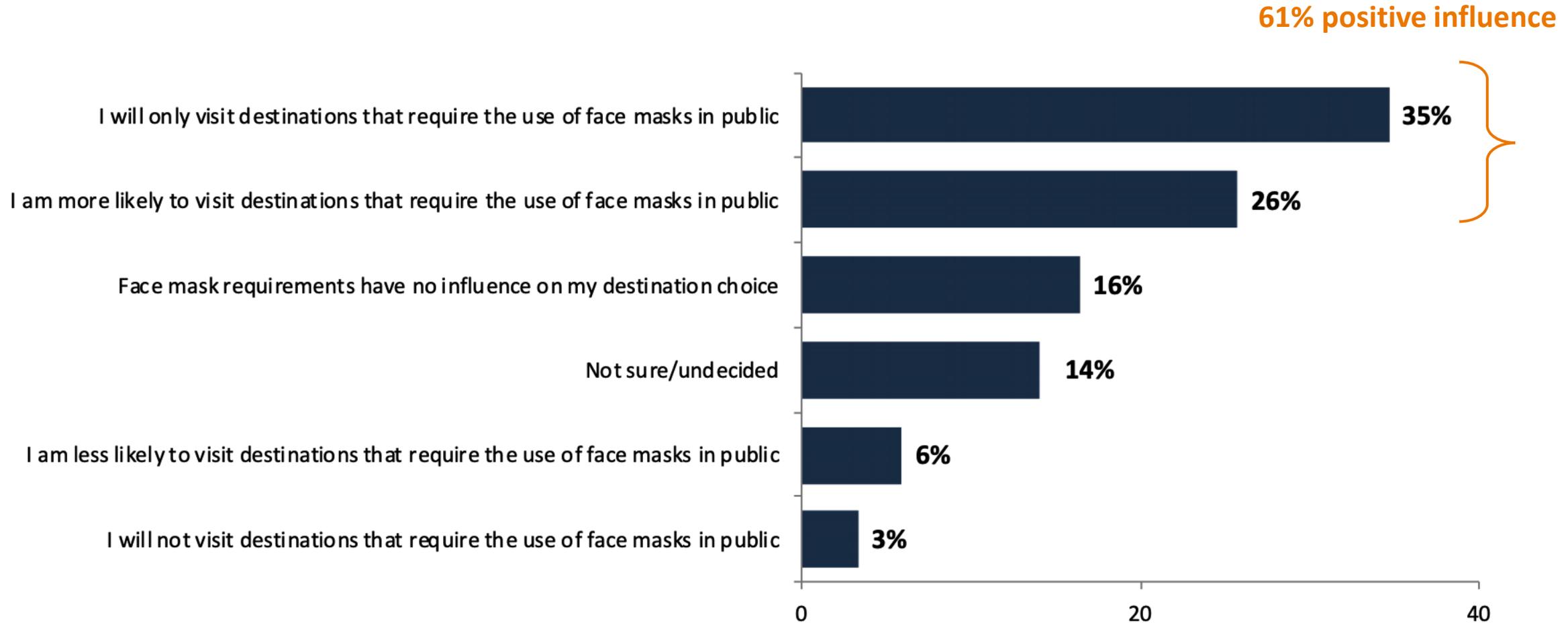


Californians are traveling...to where they feel safe

49% San Diego
 48% Los Angeles
 37% Orange County
 39% San Francisco

92% Shasta Cascade
 85% Inland Empire
 82% North Coast
 82% High Sierra

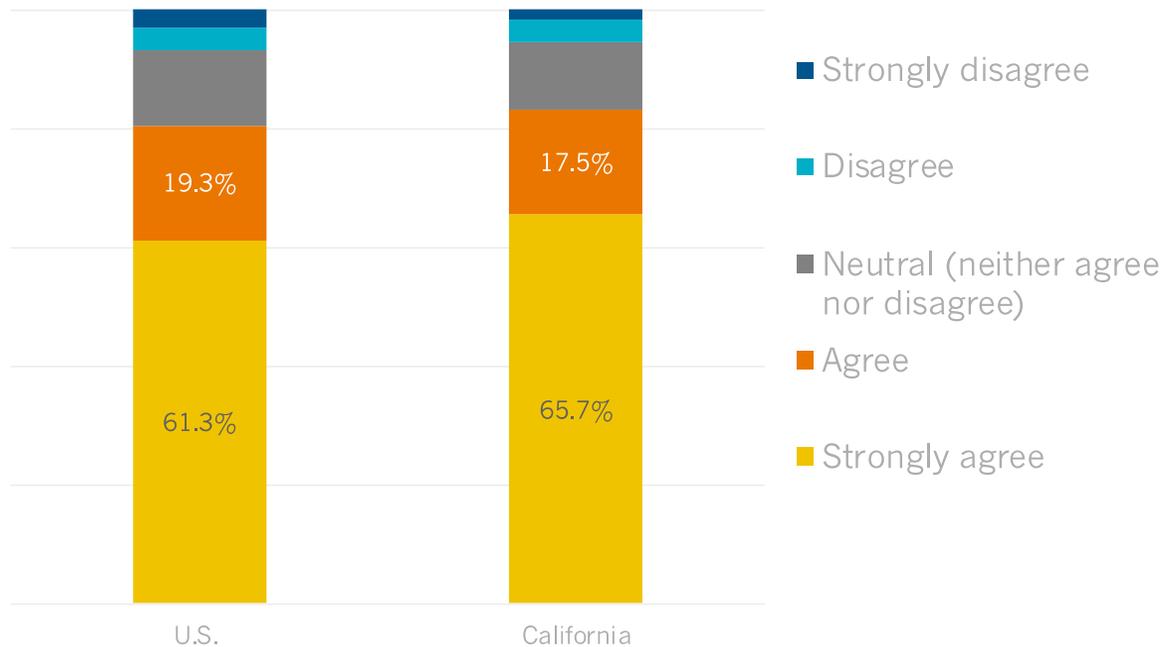
Influence of Mask Requirement on Destination Choice



* In public where social distancing is not possible

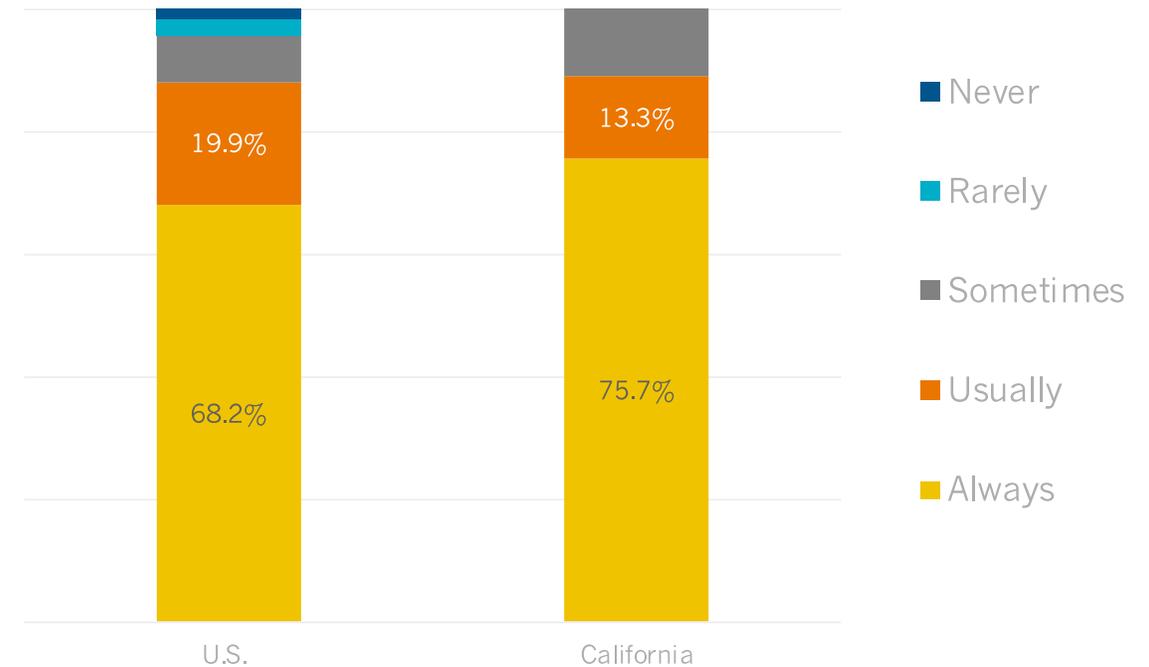
Should People Wear Face Masks in Public?

**(81% Nationally agree/
83% Californians)**

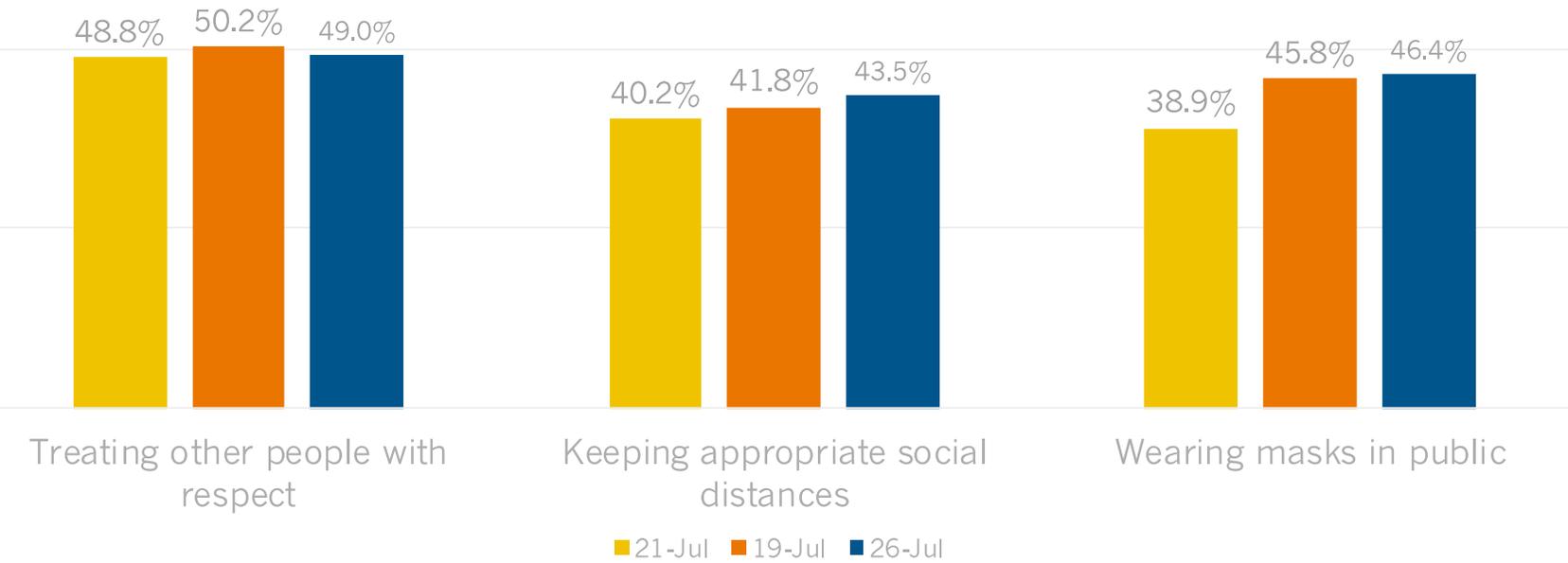


How Often Do You Wear a Face Mask When in Public?

**(88% Nationally always or usually/
89% Californians)**

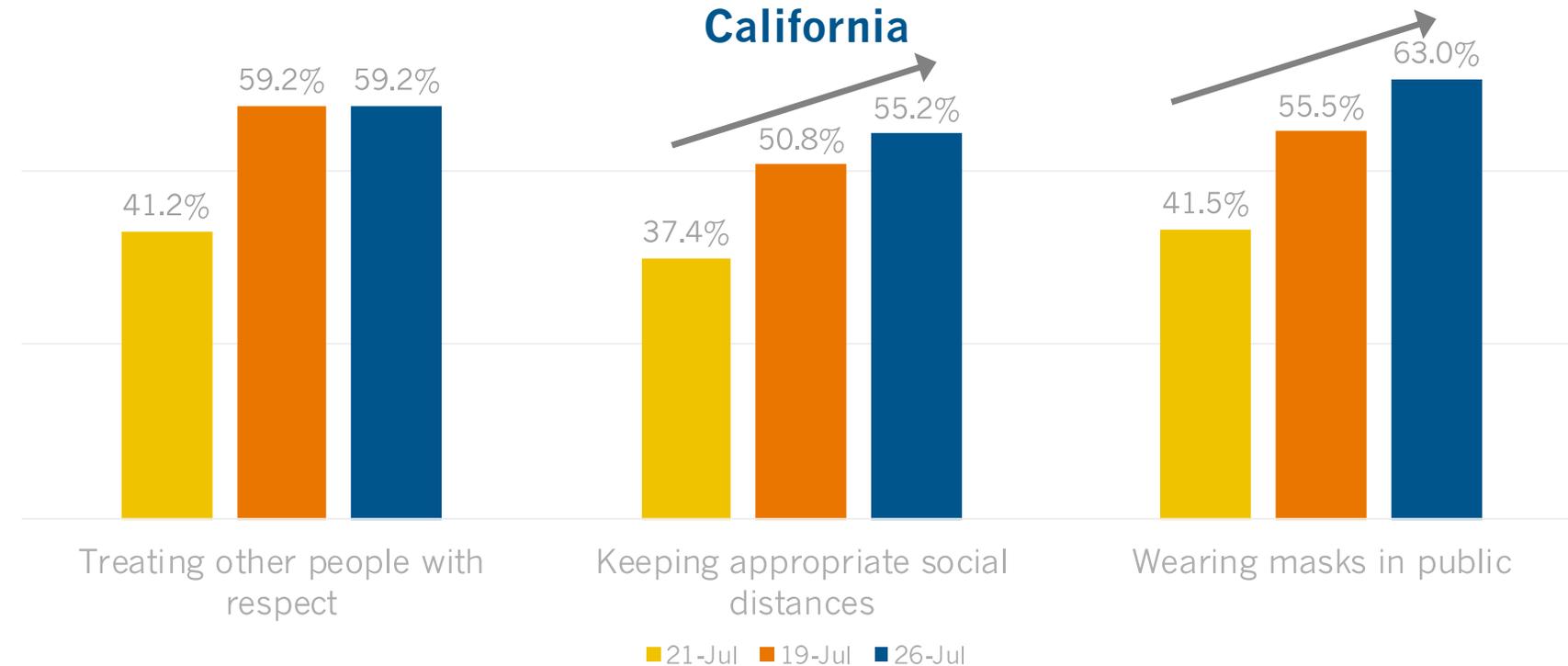


U.S. Overall

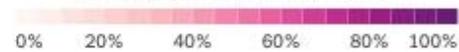


How Satisfied Are You With How Well People In Your Community Are Doing With The Following.... (Top 2 Box)

California

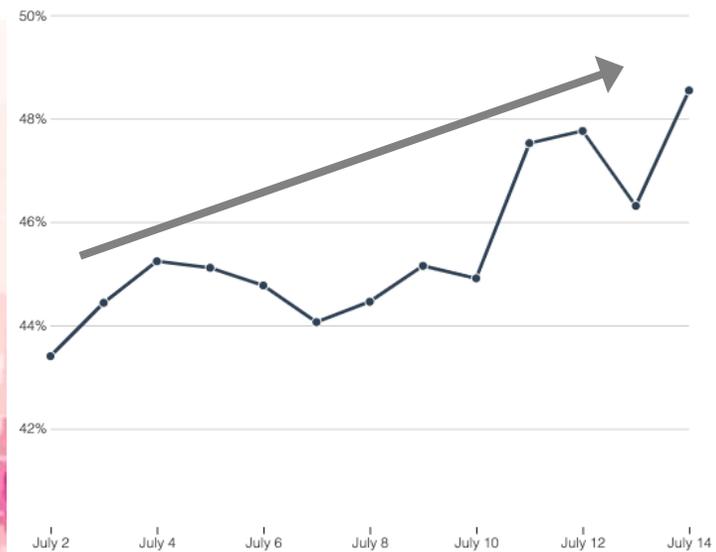


Chance all five people are wearing masks
in five random encounters



Adoption is growing...

Chance everyone is masked in five random encounters

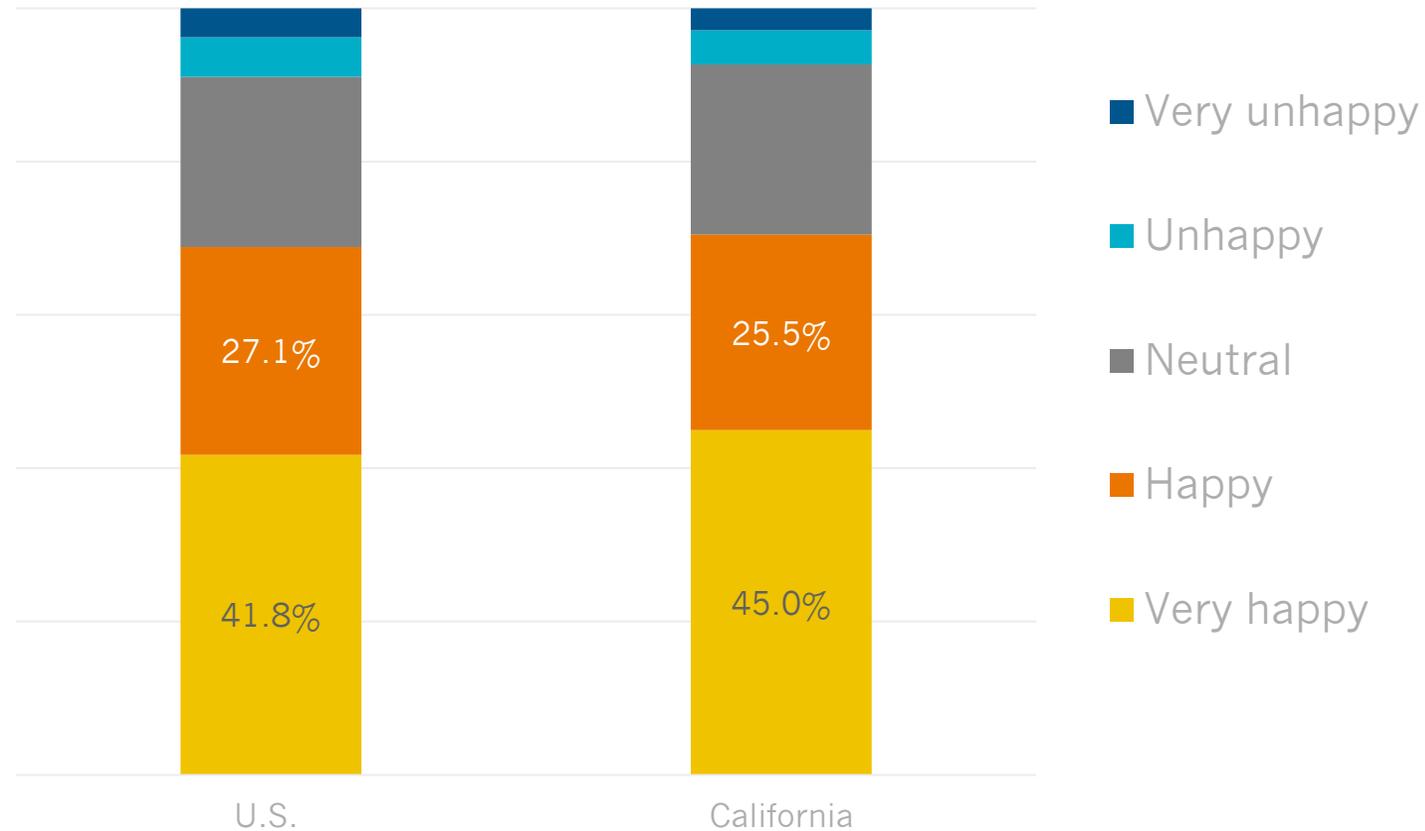


New York Times analysis of Dynata survey data



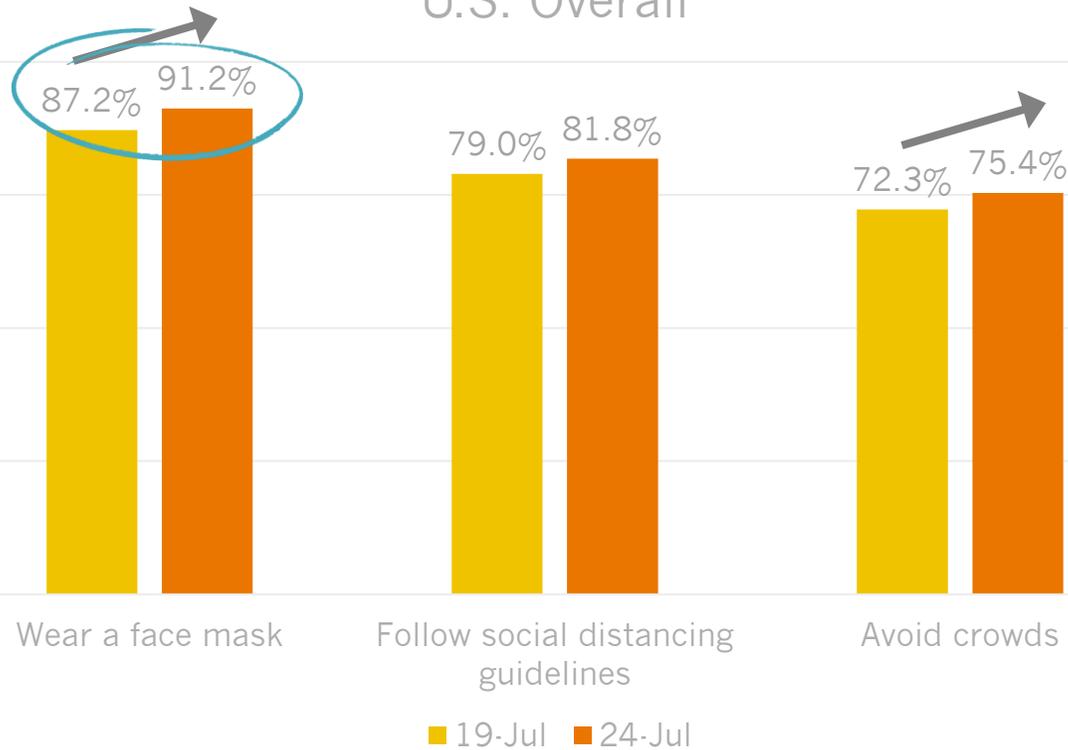
Feeling About Destinations Requiring Masks?

**(69% Nationally very happy or happy/
71% Californians)**

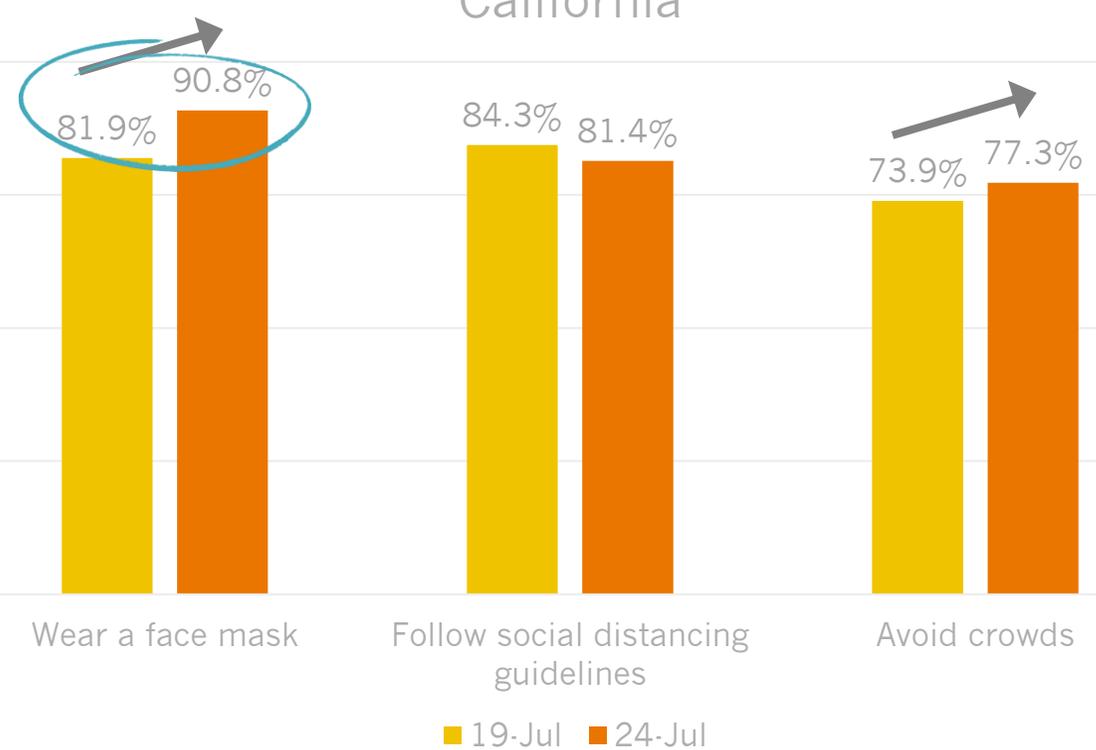


Personal Travel Behavior (Next 6 Months)...this might allow sustainable economic activity if maintained

U.S. Overall

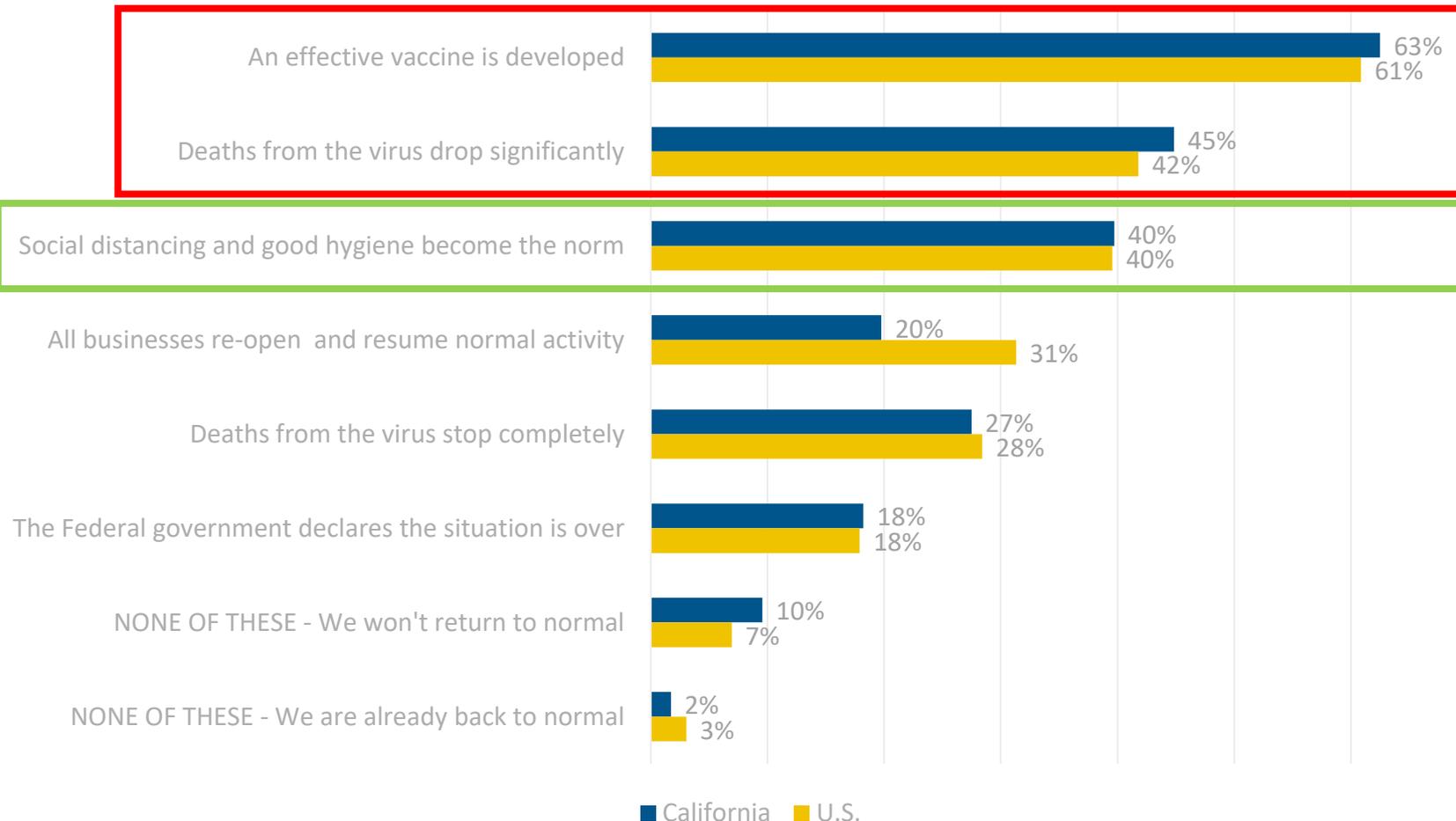


California



What is in our control to make an impact?

What will need to happen before you feel things have returned back to a normalcy you are comfortable with?



- A big impact on the public health crisis is out of our hands, and is unlikely to come very soon
- To create sustainable economic activity **IN THE MEANTIME**, will be to create an environment where more people feel they can resume activities but **SAFELY**



Weekly Research Dashboard Updates

<https://industry.visitcalifornia.com/marketing-communications/coronavirus>

San Diego County Performance Update

July 29, 2020



TOURISM AUTHORITY

Tourism's Regional Impact

FY 2019

\$11.6 B
ANNUAL VISITOR
SPENDING

\$19.2 B
ANNUAL REGIONAL
IMPACT

35
MILLION
VISITORS

\$31.8 M
SPENT DAILY
BY VISITORS

\$855 M
TOTAL TAXES GENERATED BY
VISITORS ANNUALLY*

\$329 M
FY19 TOT COLLECTED
IN COUNTY

17.72 M
HOTEL ROOM NIGHTS SOLD

68%
OF REGIONAL IMPACT
DRIVEN BY HOTEL VISITORS

70%
OF VISITOR DOLLARS SPENT AT
NON-LODGING BUSINESSES

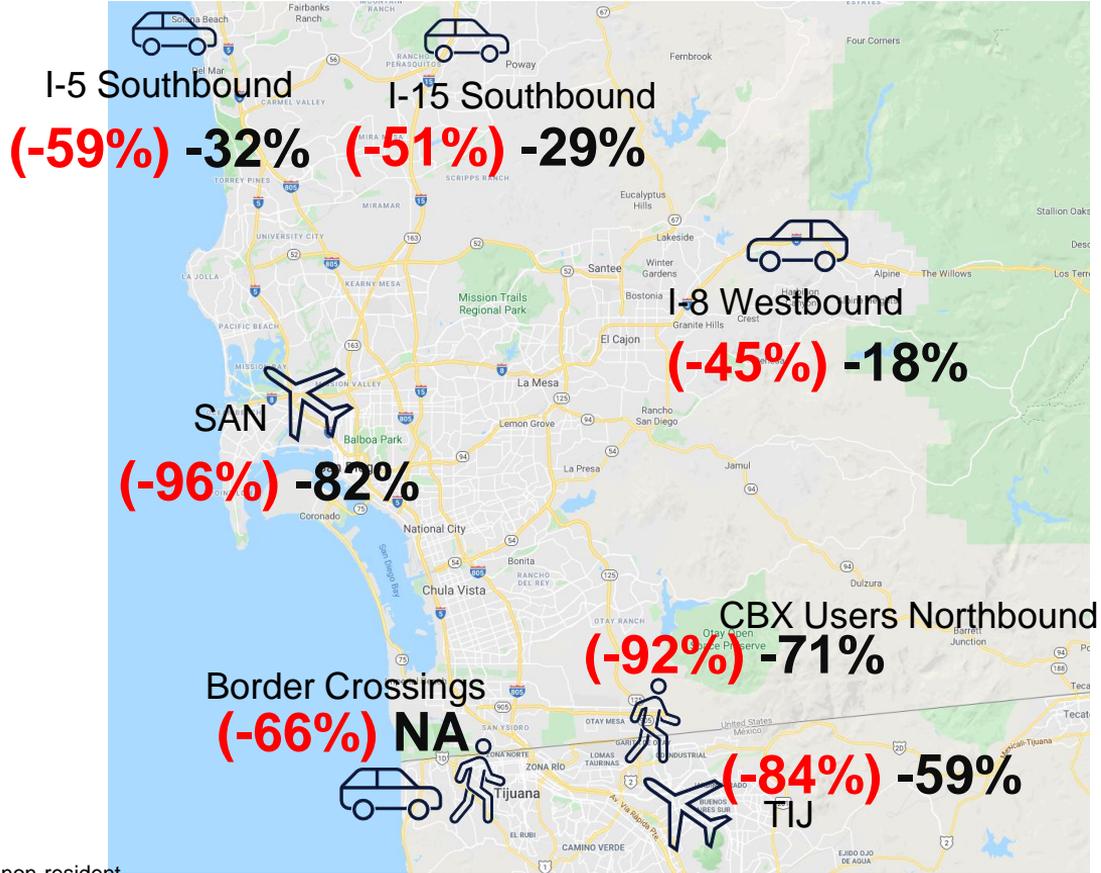
SOURCE: CIC Research, Smith Travel Research, San Diego County Cities

*State and local transient occupancy, sales & property taxes

All Visitation Bottomed in April, but Improving



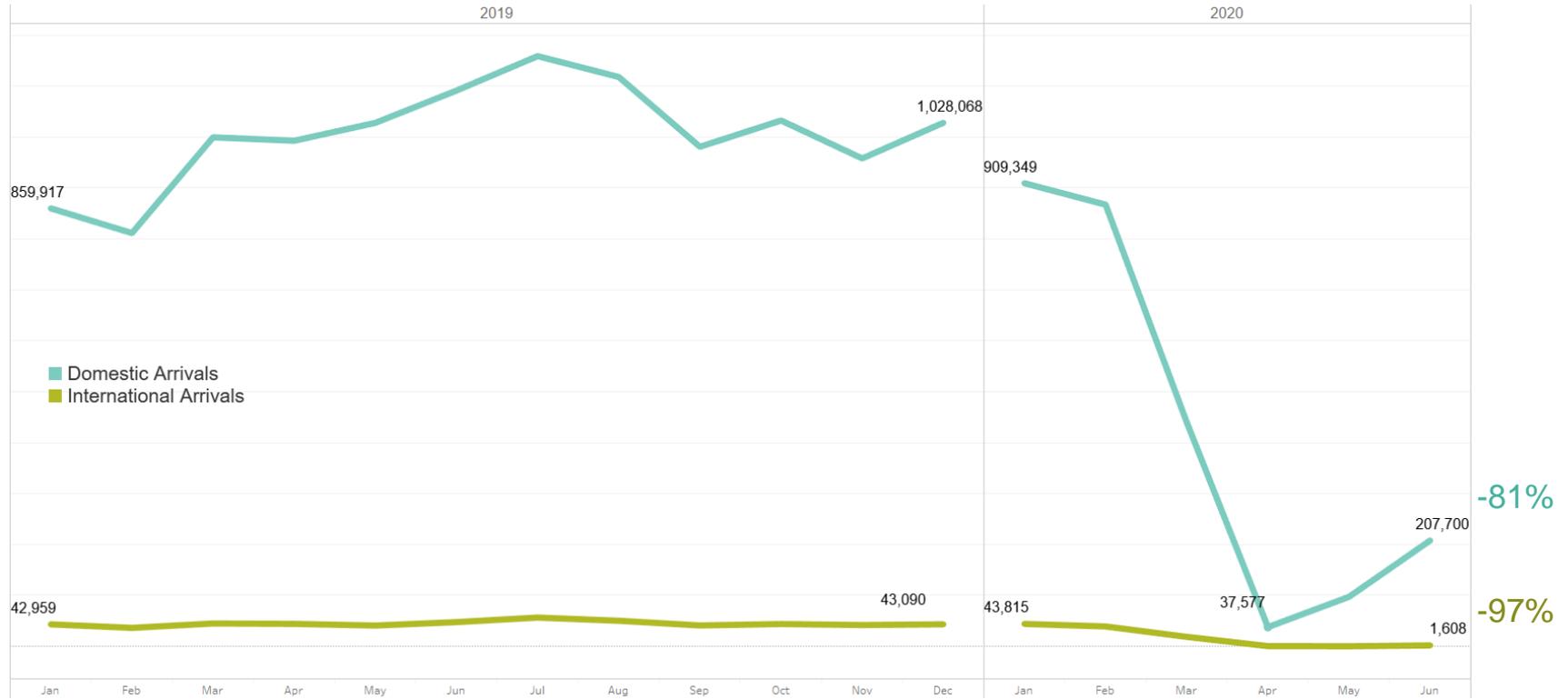
Transportation Points of Entry – YOY Change (April 2020) June 2020



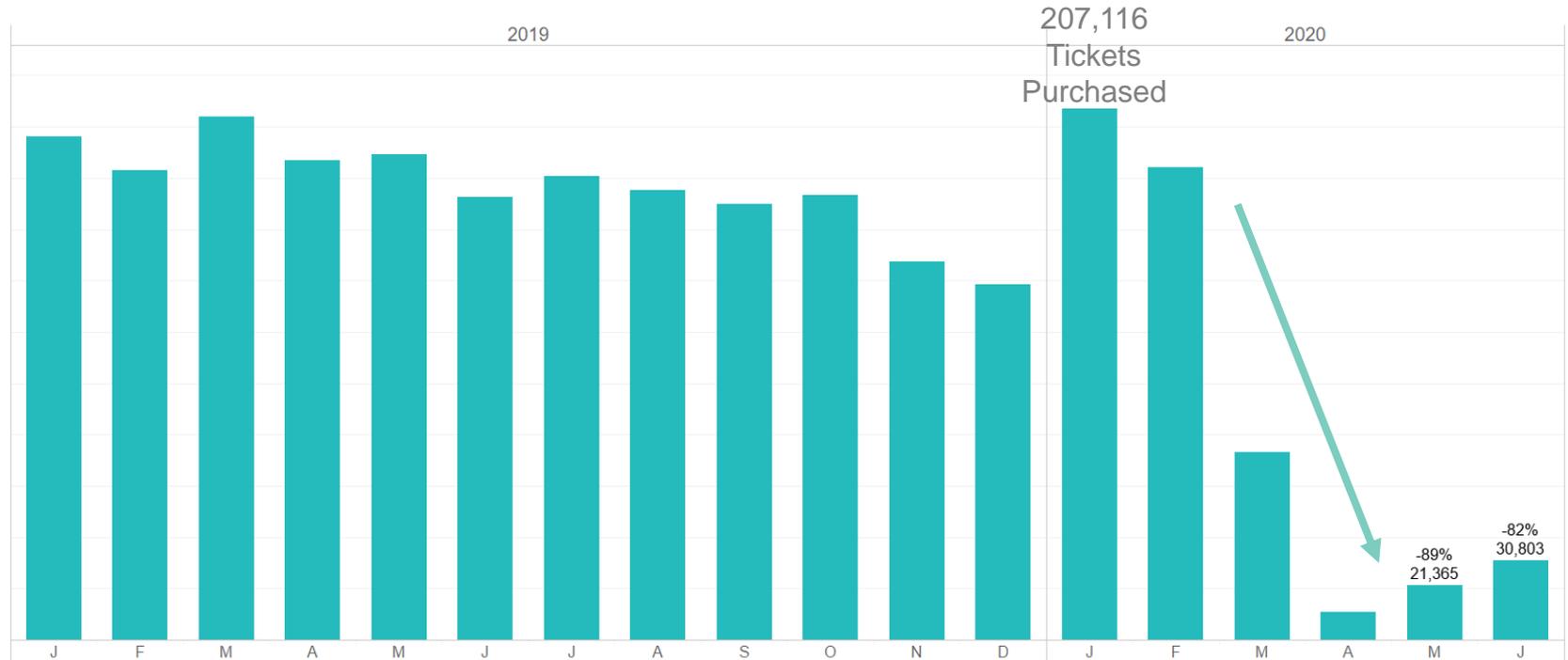
Includes all arrivals, resident and non-resident

SAN Air Arrivals

Domestic starting to improve but Very Few International Arrivals

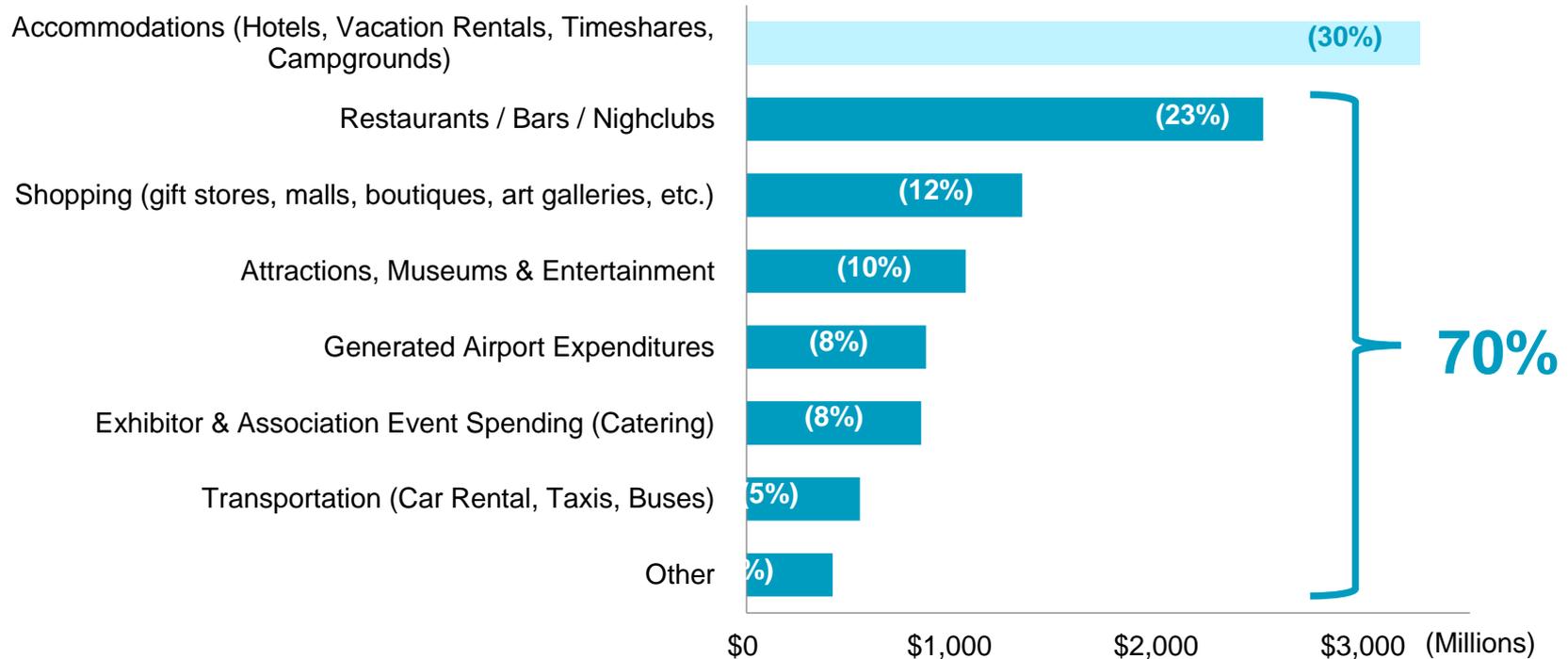


Air Purchases to SAN Via Agencies Down, But Improving



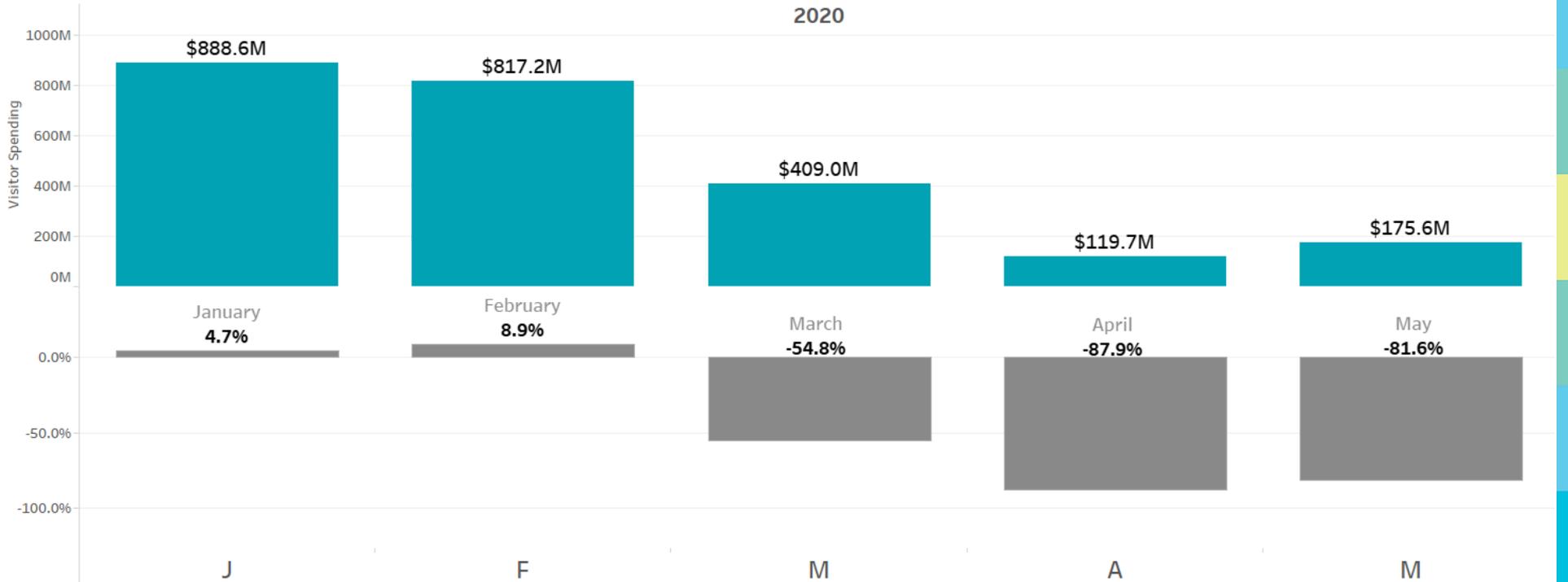
Visitor Spend Profile

70% of Visitor Spending is at Non-Accommodation Businesses



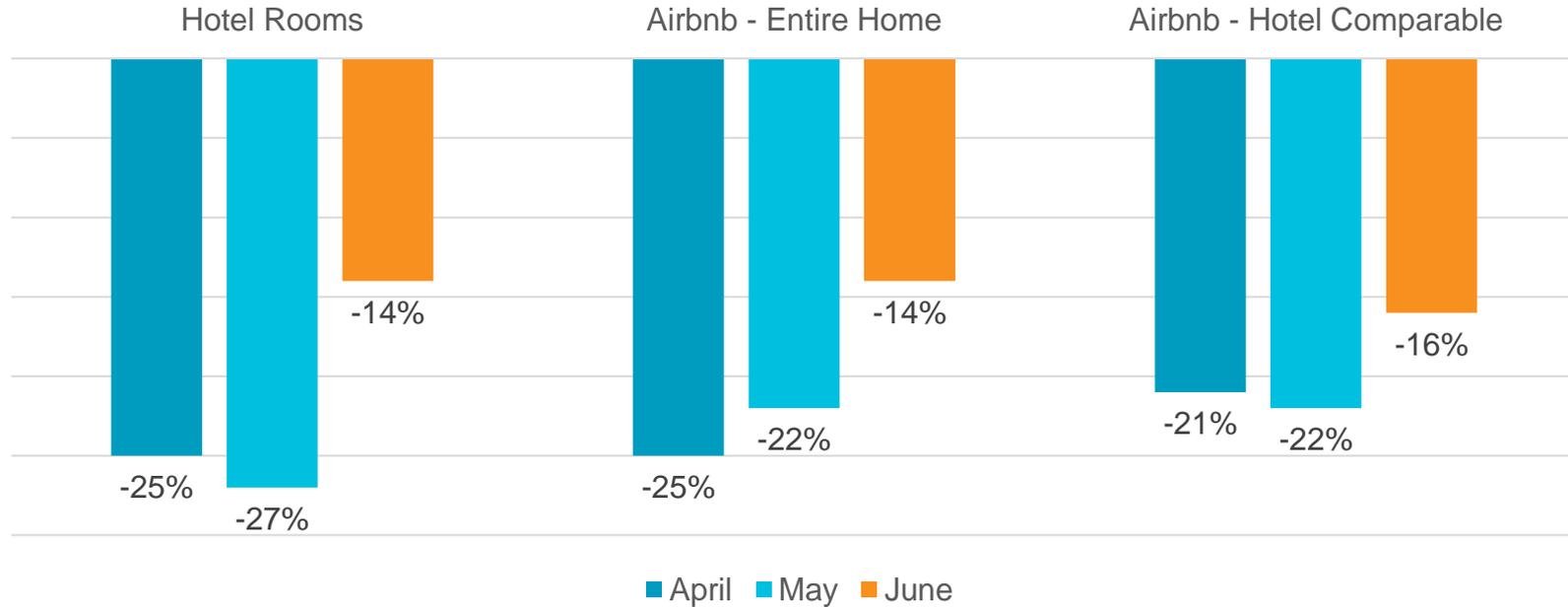
Fewer Visitors, Less Tourism Business Revenue

March - May Loss Totals \$2.1 Billion

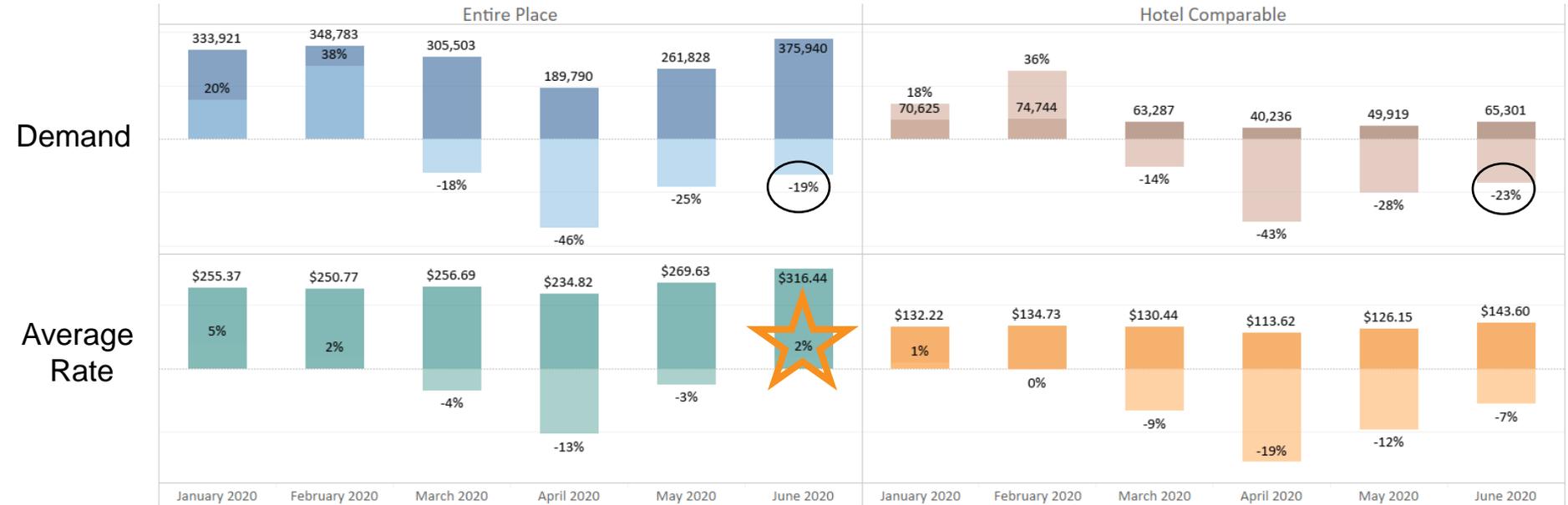


Lodging Supply Changes in County Similar for Hotel and Vacation Rentals

YOY Supply Change

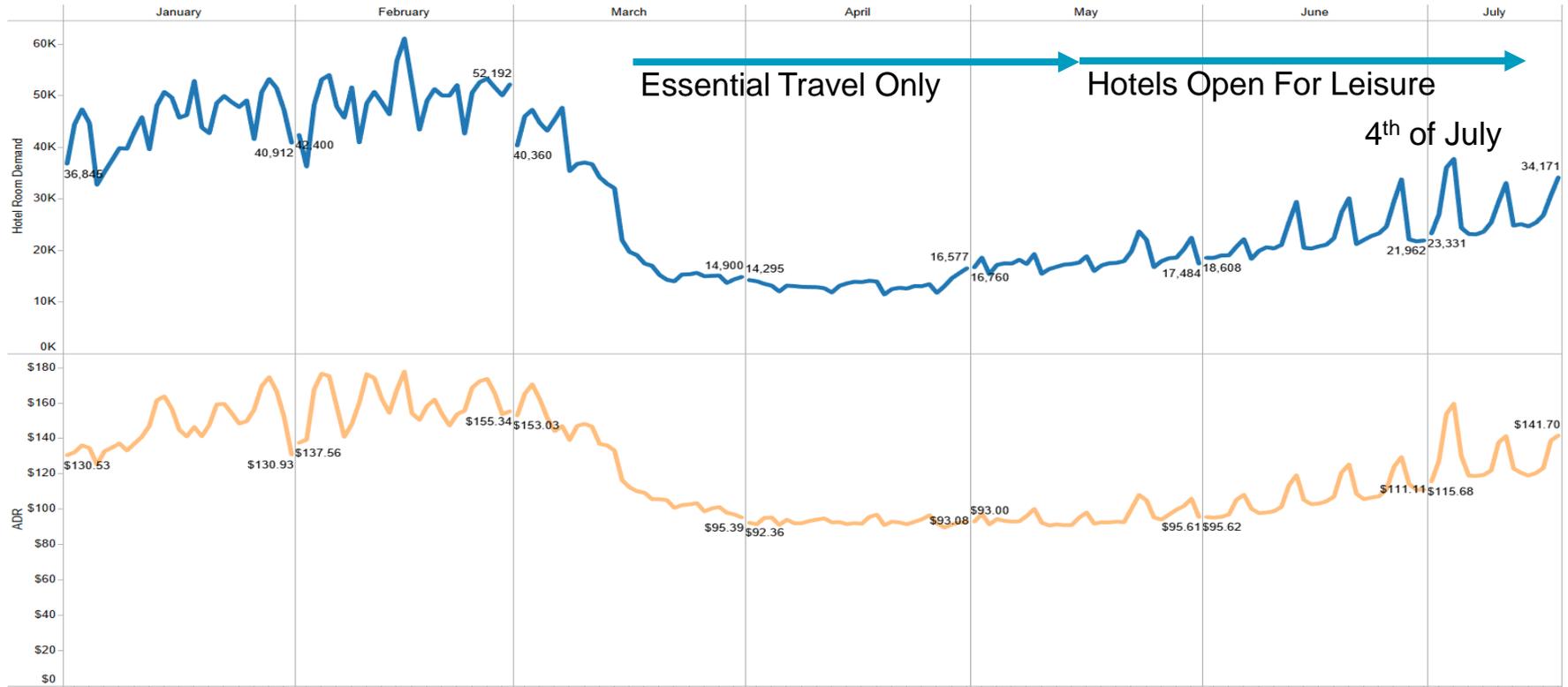


Airbnb / HomeAway Demand and ADR Holding Better Than Hotels



Source: AirDNA

Daily Hotel Room Night Demand and ADR Through July 18, 2020



Source: STR, Inc.

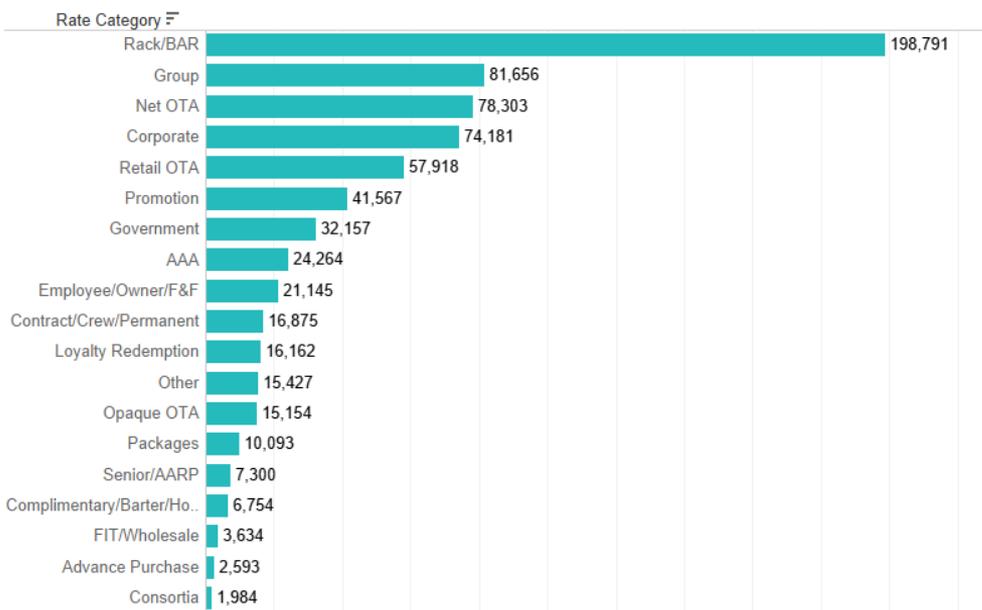
What does Demand Look Like Now?

April–June Demand Chain Scale Only (55% of Market)

Rack/BAR Top Channel at 28%

Group, Corporate, and Government Combined 28% of Demand

Rate Category Room Nights



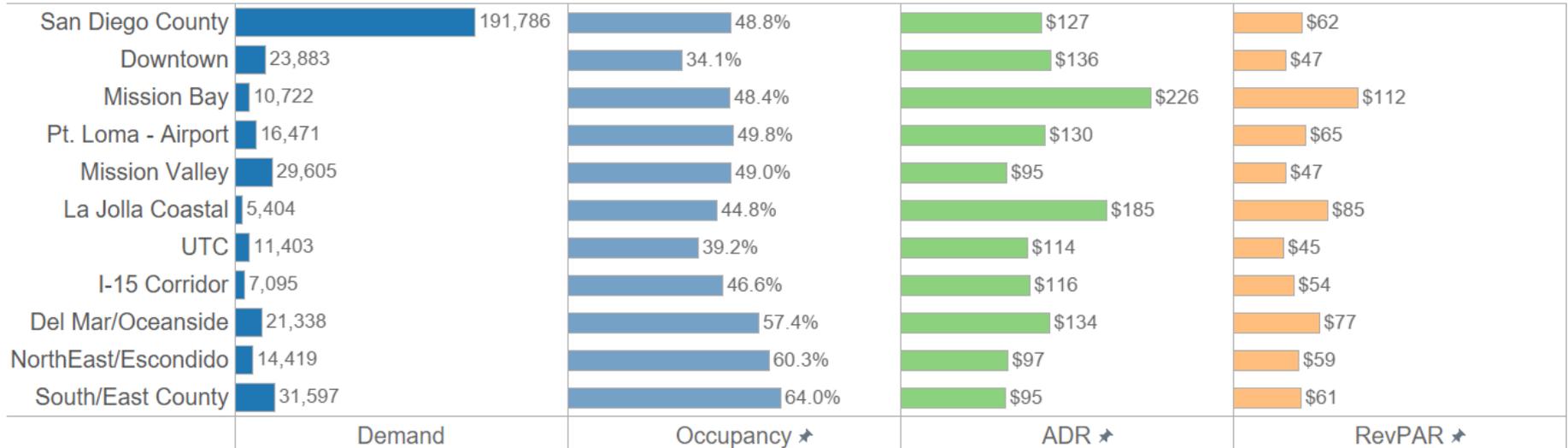
Rate Category Metrics

% of RN Sold	Lead Time (days)	LOS	Booking Cost Per RN	Guest-Paid ADR
28%	4	3.1	\$9.35	\$145.45
12%	20	11.4	\$1.60	\$126.15
11%	3	1.6	\$24.10	\$142.17
11%	6	4.3	\$6.48	\$117.98
8%	3	1.7	\$19.46	\$133.93
6%	9	4.0	\$8.37	\$126.29
5%	5	5.9	\$6.66	\$134.14
3%	3	2.3	\$9.26	\$137.48
3%	7	2.6	\$1.11	\$53.65
2%	14	2.2	\$0.32	\$110.44
2%	4	1.6	\$0.91	\$64.48
2%	3	2.0	\$8.17	\$90.63
2%	1	1.5	\$33.60	\$111.33
1%	4	2.7	\$9.03	\$148.10
1%	5	2.5	\$8.29	\$124.95
1%	6	7.3	\$0.61	\$9.58
1%	5	1.5	\$32.98	\$135.87
0%	11	2.1	\$8.94	\$138.01
0%	4	3.5	\$32.79	\$216.73

Source: Kalibri Labs

Snapshot of Latest Week's Performance Shows Influence of Different Demand Drivers Impacting Market Now

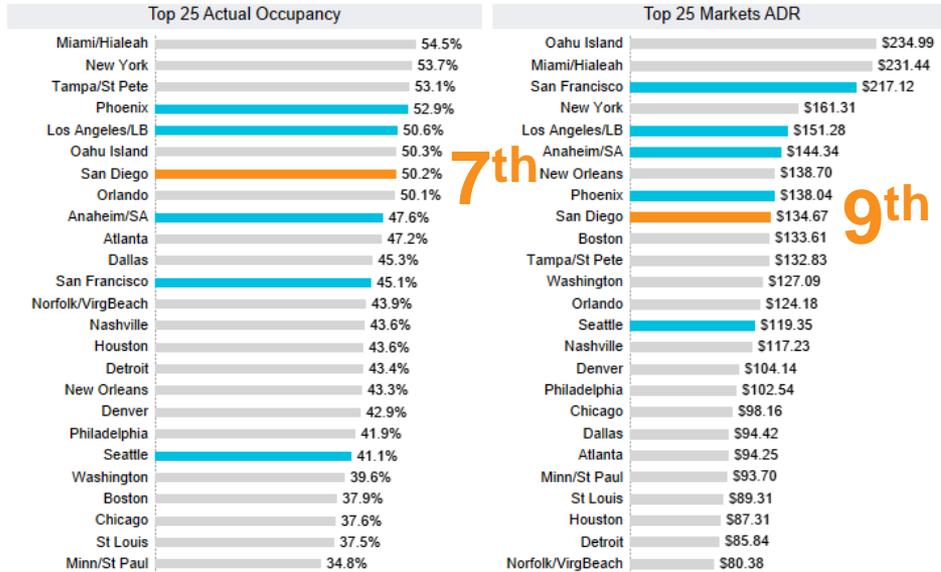
San Diego County Hotel Performance - Week of Jul 12-18, 2020



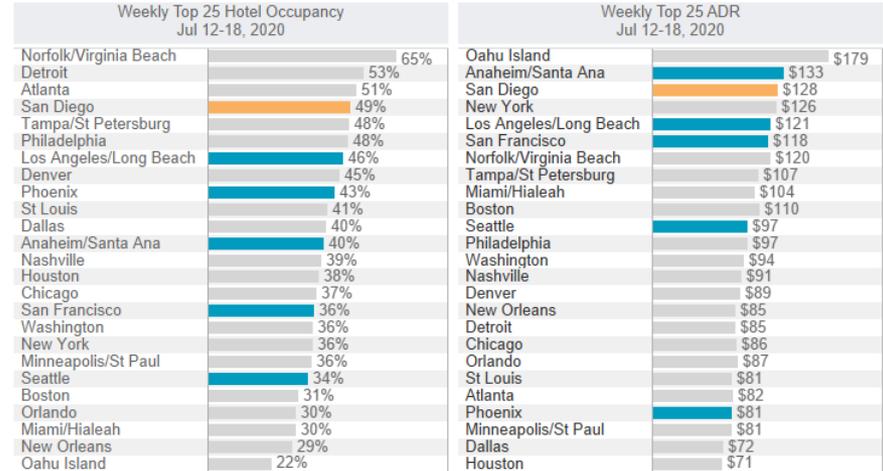
San Diego Leading Top 25 Markets

“It Could Be Worse”

CYTD 2020 through June



Last 4 weeks San Diego has been 3rd or 4th highest Occupancy and ADR



SAN DIEGO LODGING FORECAST UPDATE

Prepared for:
San Diego Tourism Authority
July 17, 2020



WWW.TOURISMECONOMICS.COM

NATIONAL BASELINE ASSUMPTIONS

PANDEMIC TIMELINE



Virus remains a defining factor through 2021Q1.

Some regional outbreaks and second waves occur.

Progress in the development of therapeutics continues steadily.

A vaccine becomes available in early 2021.

POLICY RESPONSE



Easing of lockdown measures continues through the summer months.

Renewed lockdowns in response to virus outbreaks will be less severe.

International borders will be slow to reopen around the world.

ECONOMY



The US economy is in recession, with a 4.2% drop in GDP this year.

However, recovery will be brisk in the second half of 2020, driven by pent-up demand and historic government stimulus.

The path for the world economy will remain below pre-crisis levels.

SAN DIEGO MARKET MIX and FACTORS

Rate Category	Est. Proportion of Historical Annual Demand	Room Nights Estimate 2019
Group: Citywide (SDCC) On books as of 7/8	6% (incl. around block)	1.1 M
Group: Single property meetings and conventions	22%	3.9 M
Leisure transient Including wholesale	60%	10.6 M
Corporate and government	12% biotech, wireless, defense, military, defense	2.1 M
Total	100%	17.7M (San Diego County)

Source: Table based on San Diego Tourism Authority estimates and hotel survey responses, and Tourism Estimates

Positive San Diego factors:

- Strong long-term prospects as a group market
- Large regional drive market for leisure travel
- Business activity supported by biotech, government, Navy-related
- Americans trading International trips for Domestic

SAN DIEGO FORECAST ASSUMPTIONS

Scenario: Baseline

2020Q4

- Progress against disease allows gradual easing of restrictions (e.g., through therapeutics, reduced disease prevalence)

- **Virtually no group demand.**

- International inbound travel substantially reduced by virus-related factors

- Some households remain cautious, willingness to travel gradually improves

- Corporate travel restrictions gradually ease

2021Q1

- Vaccine or other substantial progress against disease allows further easing of restrictions

- **No group demand January and February. Some group demand in March** with physical distancing requirements. However, some groups choose not to meet and attendance at events is lighter than normal.

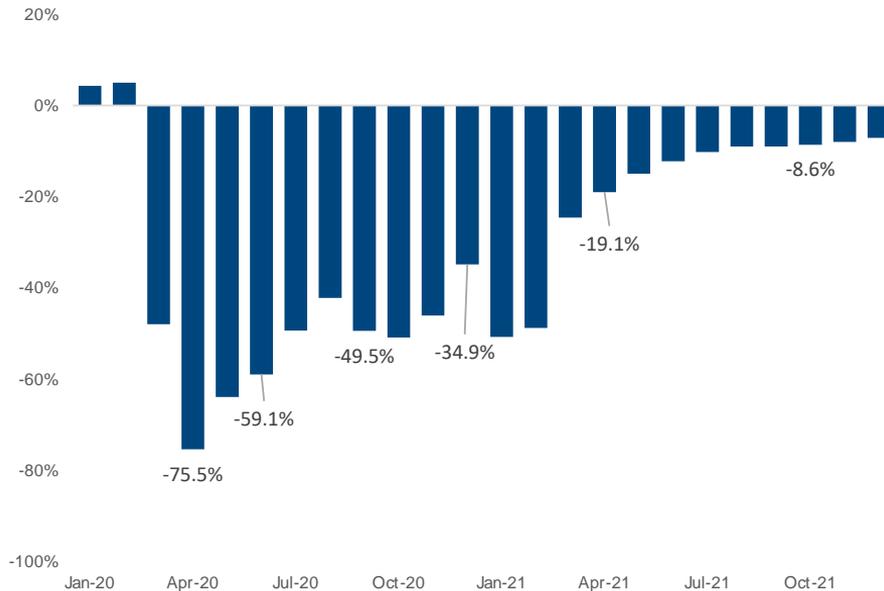
- Easing restrictions on international inbound travel

KEY RESULTS

Comparison to 2019 as a base year

Demand impact

Difference relative to same month in 2019



Source: STR, Tourism Economics

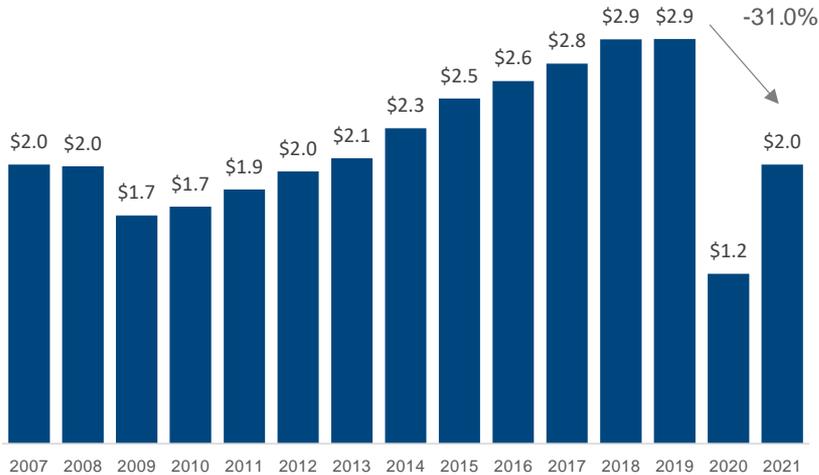
- Demand improved in June to a level 59.1% below 2019
- Forecast assumes further improvement in July and August. But then performance is assumed to retreat in Sep-Nov to about 50% below 2019.
- By April 2021, demand is expected to improve to 19.1% below 2019.

KEY RESULTS

Comparison to 2019 as a base year

Room revenue

In billions



Source: STR, Tourism Economics

- Room revenue decline of 58.0% expected for 2020, but then 64.2% growth in 2021.
- Recovery in 2021 to room revenue 31.0% below 2019. This would be a similar level as nine years ago.

SUMMARY TABLE

Annual

Forecast summary

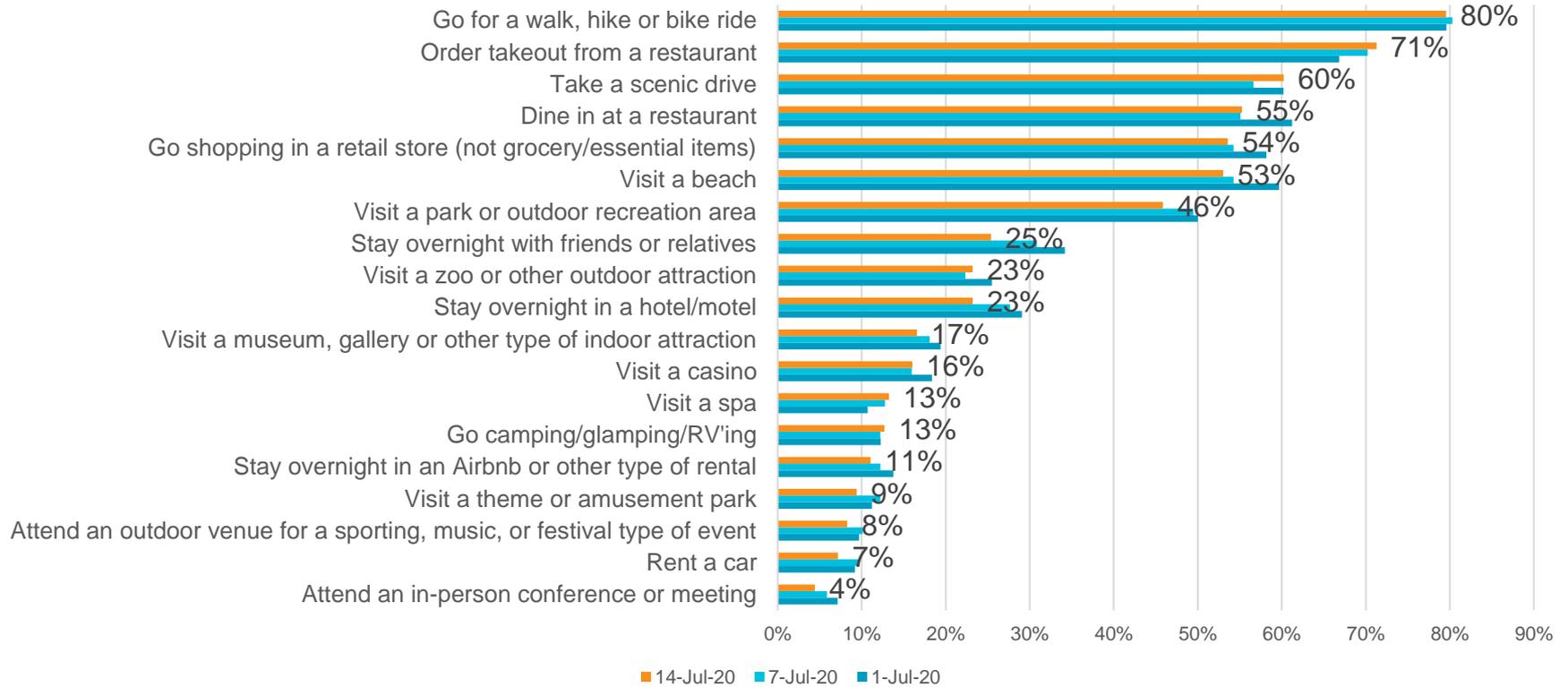
	2017	2018	2019	2020	2021
Supply (in millions)	22.4	22.5	23.1	21.0	23.2
Demand (in millions)	17.3	17.7	17.7	10.0	14.5
Occupancy	77.1%	78.5%	76.7%	47.4%	62.5%
ADR	\$160.35	\$166.50	\$166.57	\$124.27	\$140.17
RevPAR	\$123.57	\$130.74	\$127.68	\$58.93	\$87.67
Room revenue (in millions)	\$2,767.3	\$2,944.6	\$2,945.7	\$1,237.2	\$2,031.7
Growth					
Supply (in millions)	1.2%	0.6%	2.4%	-9.0%	10.4%
Demand (in millions)	1.2%	2.5%	0.0%	-43.7%	45.6%
Occupancy	0.1%	1.9%	-2.4%	-38.1%	31.9%
ADR	3.5%	3.8%	0.0%	-25.4%	12.8%
RevPAR	3.6%	5.8%	-2.3%	-53.8%	48.8%
Room revenue (in millions)	4.8%	6.4%	0.0%	-58.0%	64.2%
<i>Difference from 2019 level</i>			0.0%	-58.0%	-31.0%

Source: STR, Tourism Economics

San Diegan's Activity Intention

Percent of San Diego respondents that indicate intention to participate in certain activities over time.

Likelihood to Do in Next 3 Months



Thank You!

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