

The Economic Impact of Tourism in Buncombe County, North Carolina

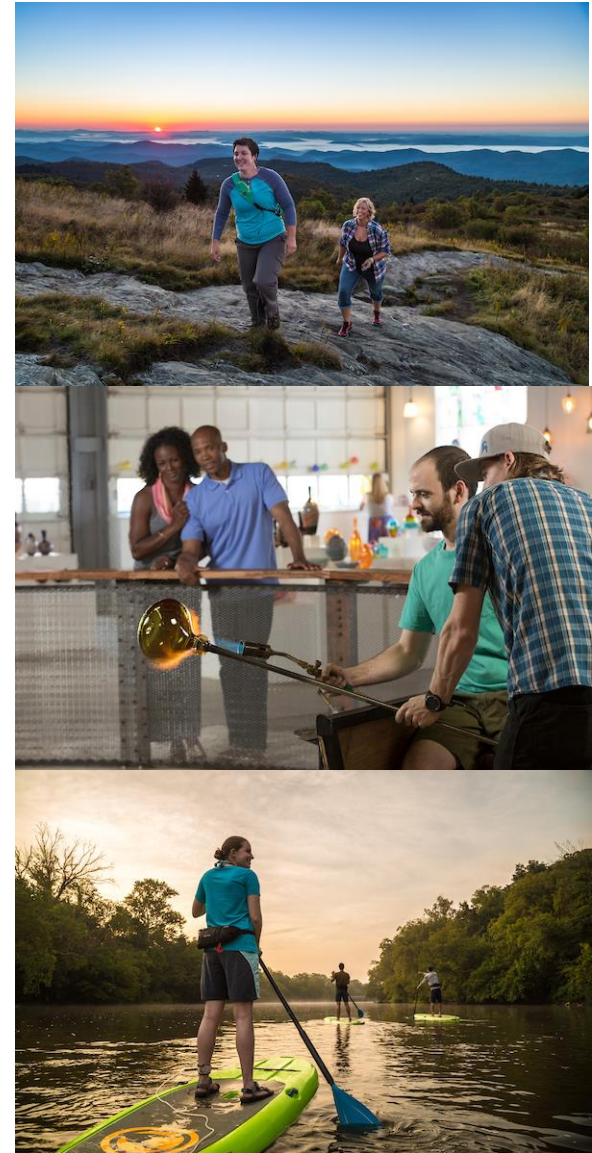
2016 Analysis



May 2017

Introduction and definitions

- This study measures the economic impact of tourism in Buncombe County, North Carolina.
- Visitors included those who stayed in overnight accommodations or travelers who came from a distance greater than 50 miles and deviated from their normal routine.
- The impact of tourism includes direct spending, the indirect (supply-chain) effects, and induced (income) effects.
- Impacts were measured in terms of employment, income, business sales, and tax revenues.



Headline Results

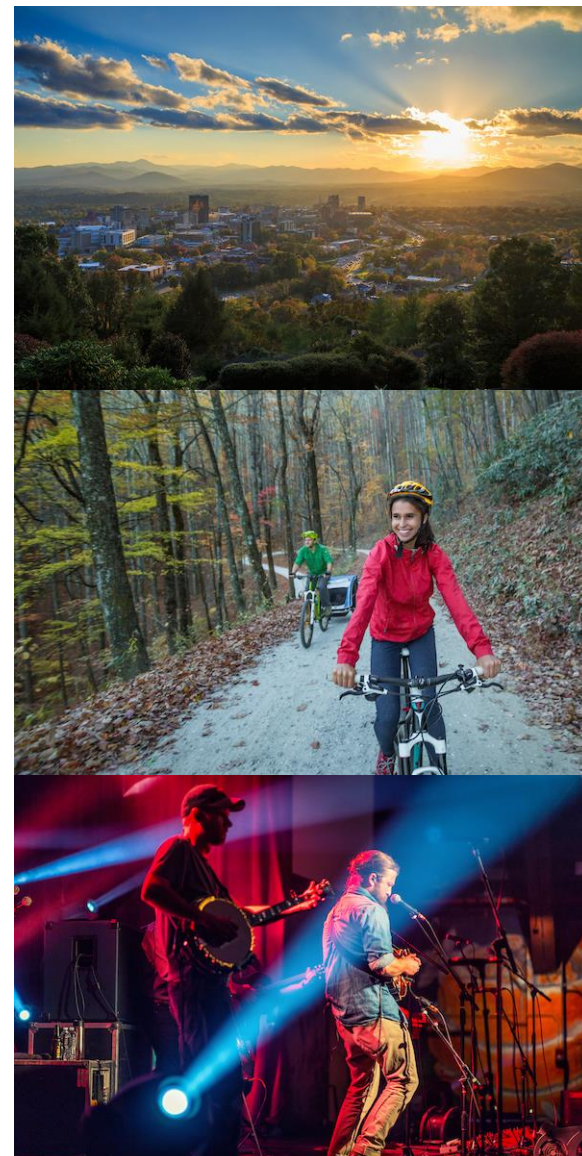


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Headline results

- Tourism is an integral part of the Asheville regional economy, and the industry continues to make significant contributions to economic growth, generating business sales, employment, and tax revenues.
- Visitors to Asheville spent \$1.9 billion in 2016, which generated \$2.9 billion in total business sales, including indirect and induced impacts.
- Tourism in Asheville generated \$365 million in tax revenues in 2016, including \$202 million in state and local revenues.



Headline results



- Including direct, indirect, and induced impacts, 26,700 jobs were sustained by visitors to Asheville in 2016 with total income of \$810 million.
- Approximately 15% (1-in-7) of all jobs in Buncombe County were sustained by tourism.
- An estimated 27% of tourism-supported jobs were in the food and beverage industry, 17% in lodging, 13% were in retail, 12% in recreation, and 31% were in other categories.

Key Trends in 2016



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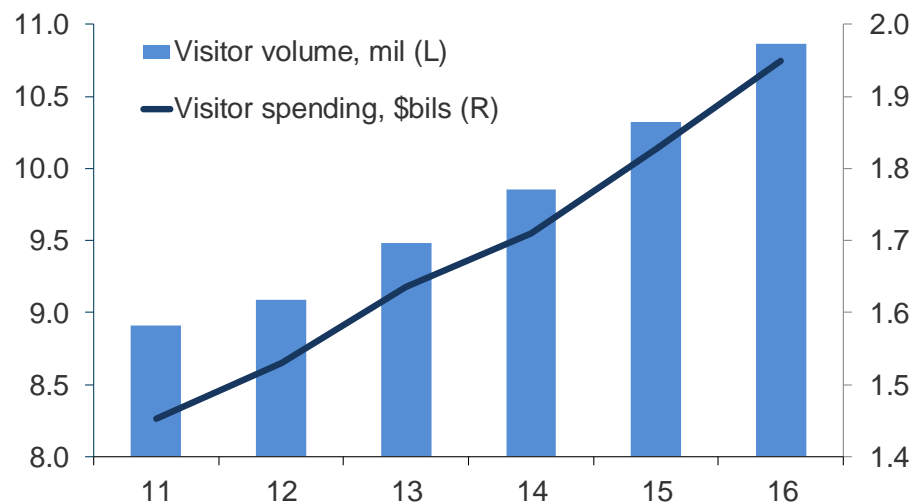
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Key themes for 2016

- Visitor volume and spending in the Asheville region grew in 2016, driven by job and income growth in the broader North Carolina and regional economy.
- An estimated 10.9 million visitors, including 3.8 million overnight, spent a total of \$1.9 billion in 2016, increases of 5.2% and 6.7%, respectively, from 2015.

Visitor Volume and Spending

Buncombe County

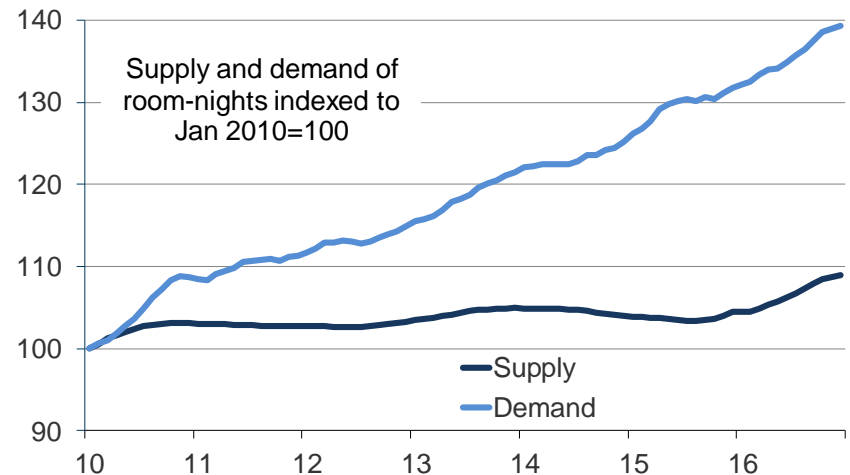


Sources: Longwoods International, Tourism Economics

Key themes for 2016

- Asheville's lodging sector is expanding rapidly with demand outpacing supply.
- Room demand increased 5.7%, compared with room supply growth of 4.4% in 2016.
- Strong demand growth boosted occupancy to 73.8%, up from 72.8% in 2015.
- Strong demand and rising prices are driving balanced room revenue growth. Average rates were up 7.6% in 2016, and total room revenues rose 13.8%.

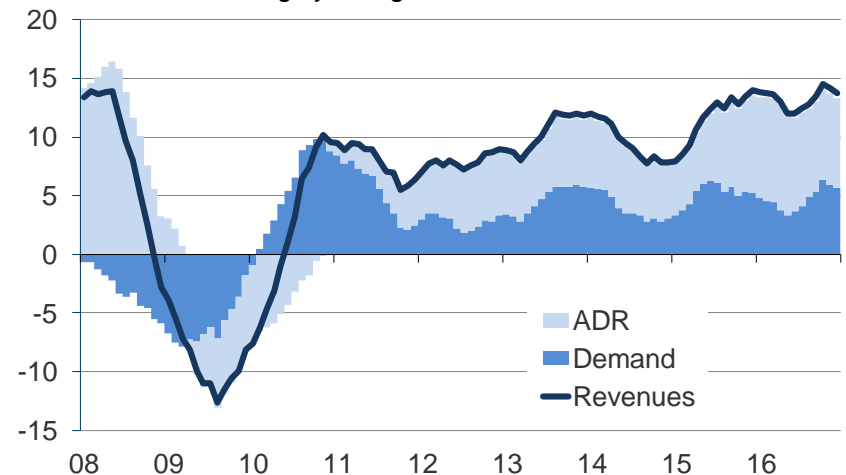
Lodging Demand Is Outpacing Supply



Source: Smith Travel Research

Demand and Price Growth Drive Revenues

Contribution to % change year ago



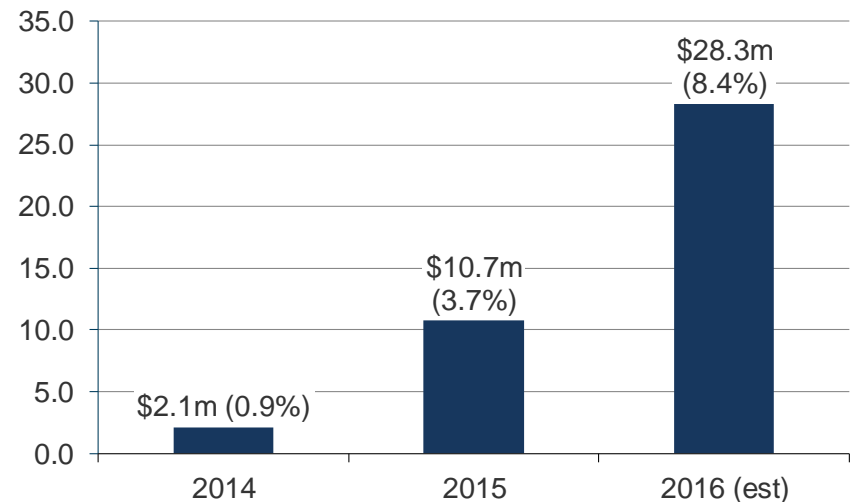
Source: Smith Travel Research

Key themes for 2016

- The use of non-hotel lodging, such as AirBnB and Vacation Rental By Owner, is on the rise.
- Short-term rentals account for an increasing share of total reported taxable lodging sales in Buncombe County.
- In 2016, spending on short-term rentals reached an estimated \$28 million and accounted for more than 8% of the total.

Short-term Rentals on the Rise

Estimated lodging sales, share of total in parentheses



Source: Asheville CVB

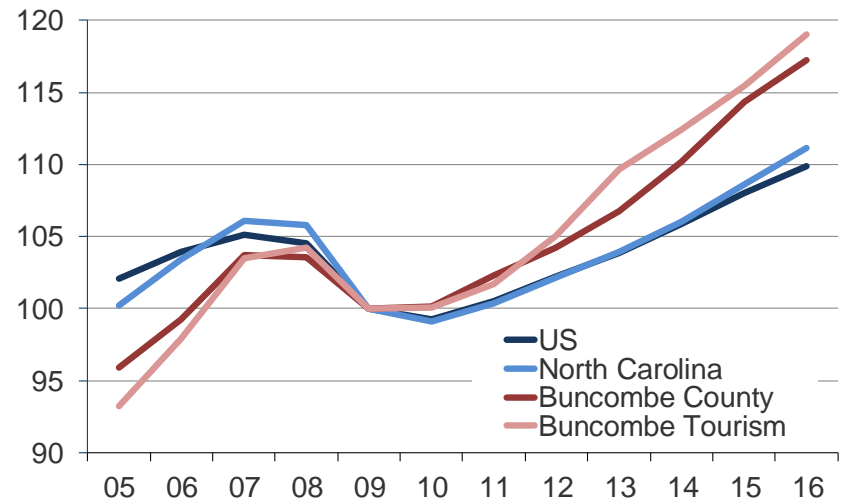
Note: Some growth is attributable to improved reporting of short-term rental sales.

Key themes for 2016

- Buncombe County employment growth is outpacing that of North Carolina and the U.S. overall.
- Within the County, tourism employment is expanding faster than overall job growth. Industry employment is 19% higher than in 2009, versus 17.2% for the County overall.
- In 2016, the unemployment rate in the county was 3.8%. Without tourism it would have been 15.2%.

Tourism Jobs Outpace the Broader Recovery

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

Visitors and Spending

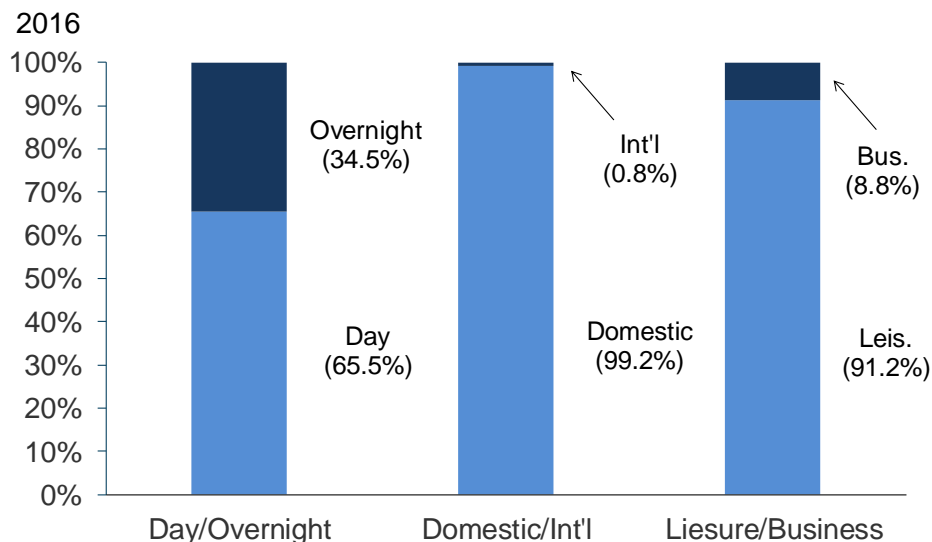


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Visitor details in 2016

Visitor Characteristics



Sources: Longwoods Int'l, Tourism Economics

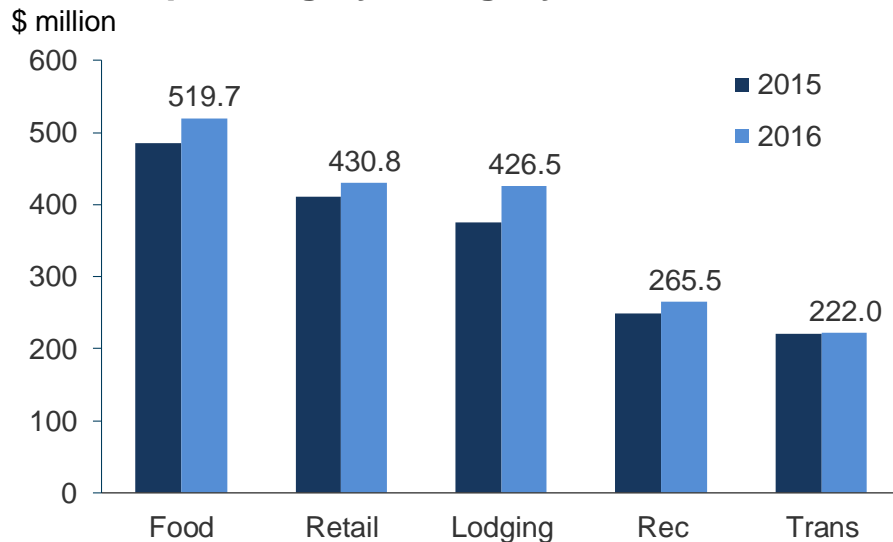
Note: Overnight/Day and Bus./Leisure segments are domestic only

- Asheville hosted a total of 10.9 million visitors in 2016, including 3.8 million overnight.
- Most visitors were day visitors (65.5%) and most came for leisure (91.2%).
- International visitors accounted for 0.8% of total visitor volume.
- The average visitor spending was \$107 per person per day, 1.8% higher than in 2015. The average party spending was \$376 per trip.

Composition of tourism spending

- Food and beverage accounted for most visitor spending with \$520 million, followed by retail at \$431 million, \$426 million in lodging spending, and \$265 million in recreation in 2016.
- About half of visitor spending was on food and beverage and retail combined, and lodging accounted for nearly 23% of visitor spending.

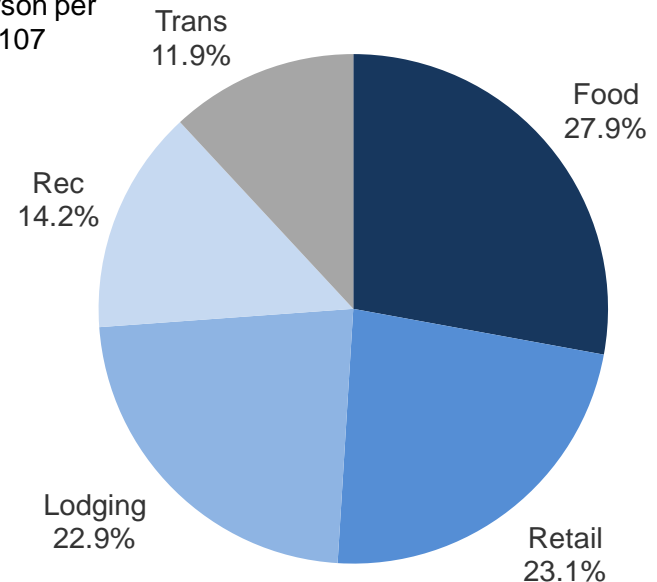
Visitor Spending by Category



Source: Tourism Economics

Visitor Spending Profile for 2016

Avg per person per day = \$107

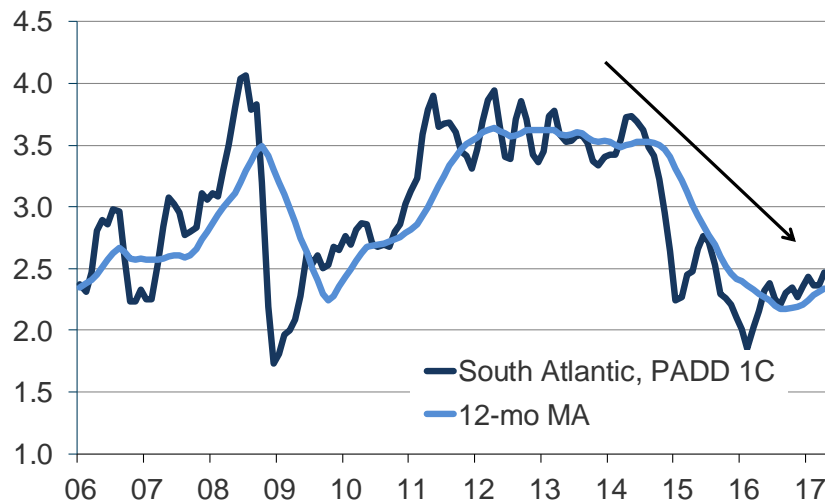


Source: Tourism Economics

Fuel prices stabilizing after a long slide

Fuel Prices Are Stabilizing

South Atlantic Region average gasoline price, dollars per gallon



Source: Energy Information Administration

- After three years of decline, fuel prices are stabilizing at six-year lows.
- Low gas prices make travel more affordable and encourage trips and visitor spending that otherwise might not occur.
- Oxford Economics forecasts oil prices to remain under \$65 per barrel through 2019, implying an average price in Asheville under \$3.00 per gallon for an extended period.

Visitor spending trends

- Visitor spending increased 6.7% in 2016, led by lodging and food and beverage. Lodging spending grew 13.8% as both prices and room-night demand increased.
- Visitor spending on food and beverage and recreation increased 7.2% and 7.0%, respectively, maintaining the strong momentum of recent years.

Visitor Spending By Category						
(US\$ Million)						
	2012	2013	2014	2015	2016	2015-16 % ch
Food and beverage	394.3	420.6	449.0	485.0	519.7	7.2%
Retail	370.8	395.1	398.9	411.5	430.8	4.7%
Lodging	268.5	301.7	328.7	374.9	426.5	13.8%
Recreation	215.1	226.6	236.5	248.2	265.5	7.0%
Transportation (local)	228.8	232.8	234.6	221.2	222.0	0.4%
Second homes value	49.5	55.8	59.1	82.6	81.2	-1.7%
Air	3.1	3.2	3.4	3.6	3.8	6.5%
Total	1,530.1	1,635.9	1,710.4	1,826.9	1,949.5	6.7%
% change	5.3%	6.9%	4.6%	6.8%	6.7%	

Economic Impacts

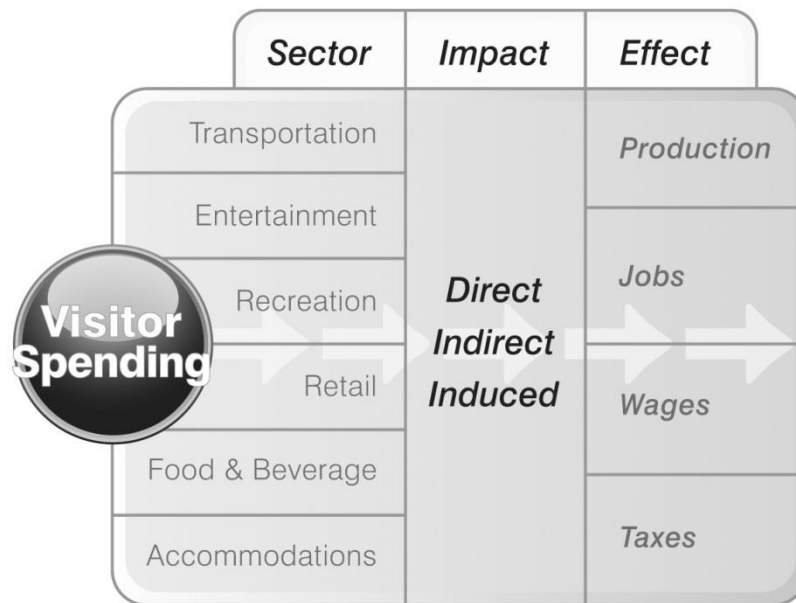


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How visitor spending generates impact

- **Direct:** Travelers create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- **Indirect:** Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.



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

Tourism sales

- Including indirect and induced business sales, tourism generated more than \$2.9 billion in revenue in 2016.

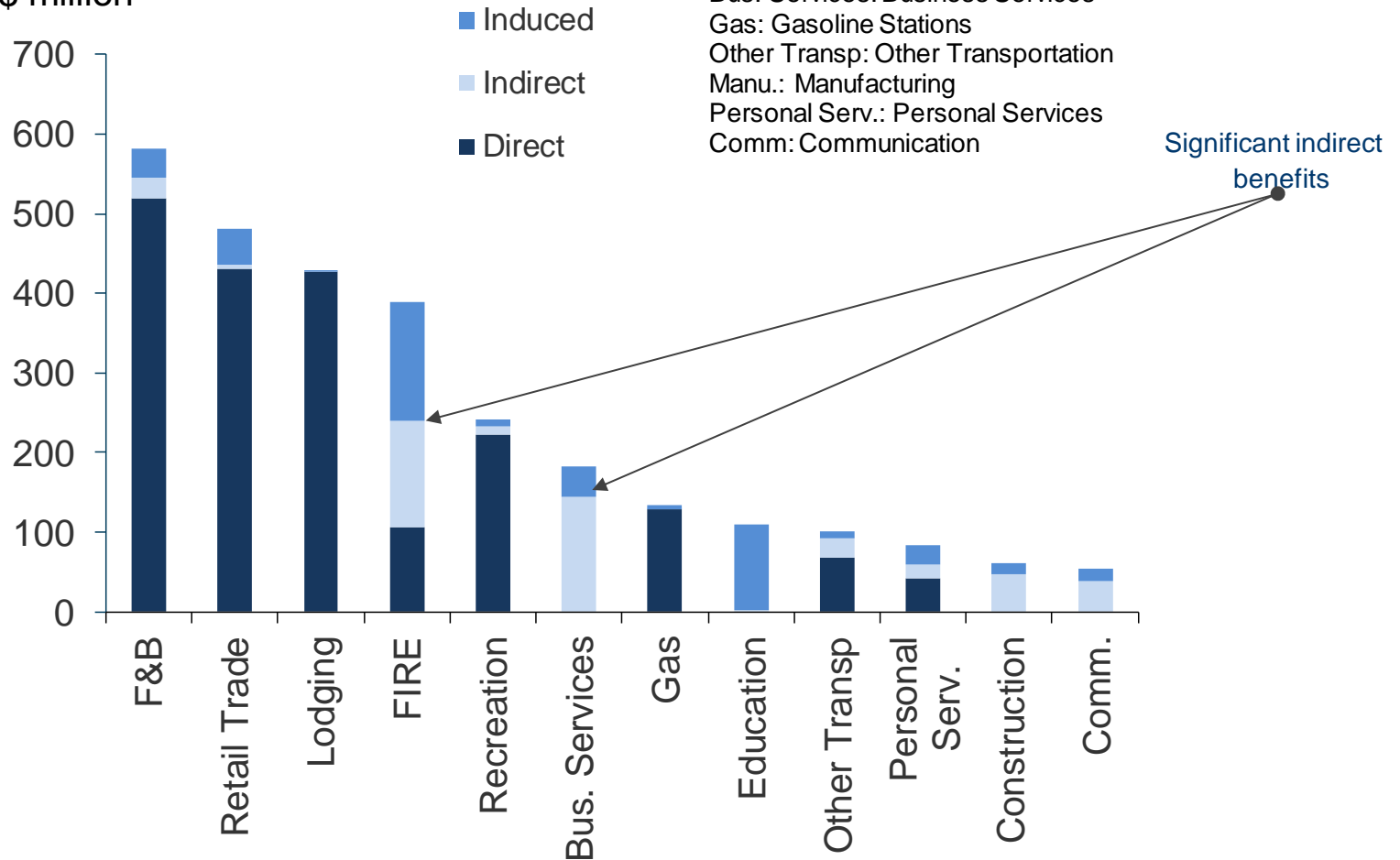
Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.2	0.2	0.4
Construction and Utilities	-	46.8	15.0	61.8
Manufacturing	-	16.5	7.1	23.7
Wholesale Trade	-	9.5	16.8	26.3
Air Transport	3.8	2.6	4.1	10.5
Other Transport	68.6	23.3	8.6	100.4
Retail Trade	430.8	4.8	45.0	480.5
Gasoline Stations	129.1	0.3	3.8	133.2
Communications	-	38.3	16.7	55.0
Finance, Insurance and Real Estate	105.5	135.2	148.9	389.7
Business Services	-	143.6	38.6	182.2
Education and Health Care	-	1.7	108.7	110.4
Recreation and Entertainment	223.2	10.4	7.8	241.4
Lodging	426.5	0.9	0.5	427.8
Food & Beverage	519.7	24.7	37.2	581.6
Personal Services	42.3	18.0	23.8	84.1
Government	-	20.0	8.1	28.1
TOTAL	1,949.5	496.8	491.0	2,937.2

* Direct sales include cost of goods sold for retail sectors

Tourism sales

Tourism Sales by Industry

\$ million

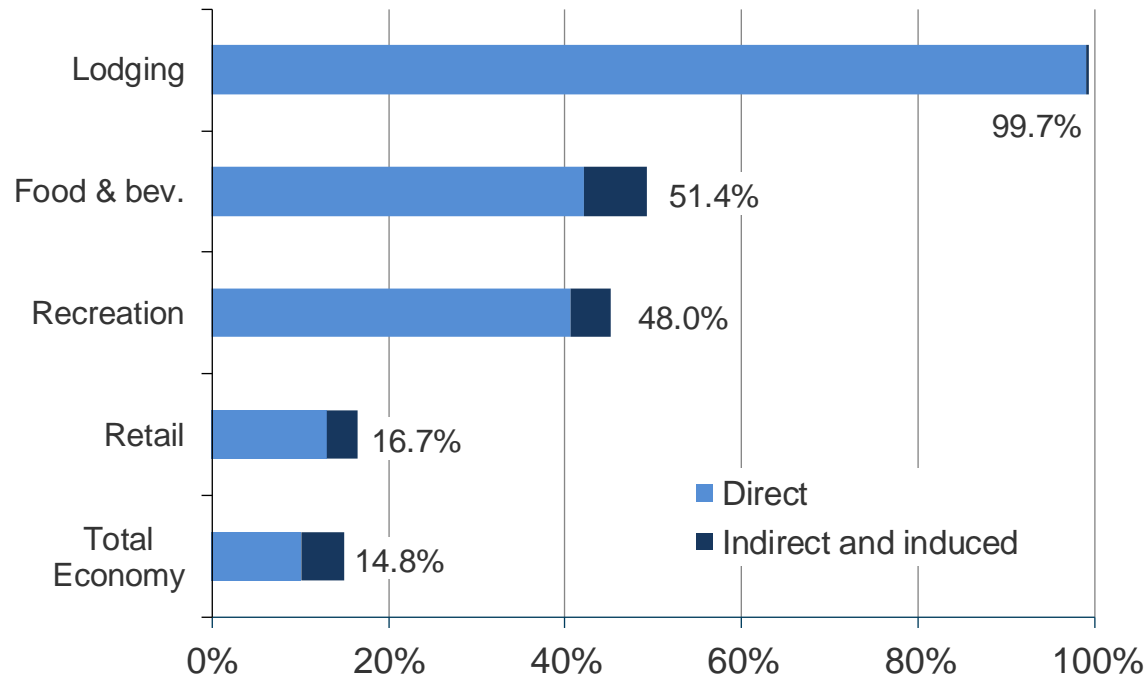


* Direct sales include retail cost of goods sold

Tourism share of key industry employment

Tourism Employment Intensity by Industry

Share of industry employment



Source: Tourism Economics

- Tourism is a significant part of several industries – tourism directly supports nearly all of lodging employment, 51% of food and beverage, and 48% of recreation employment.

Tourism employment details

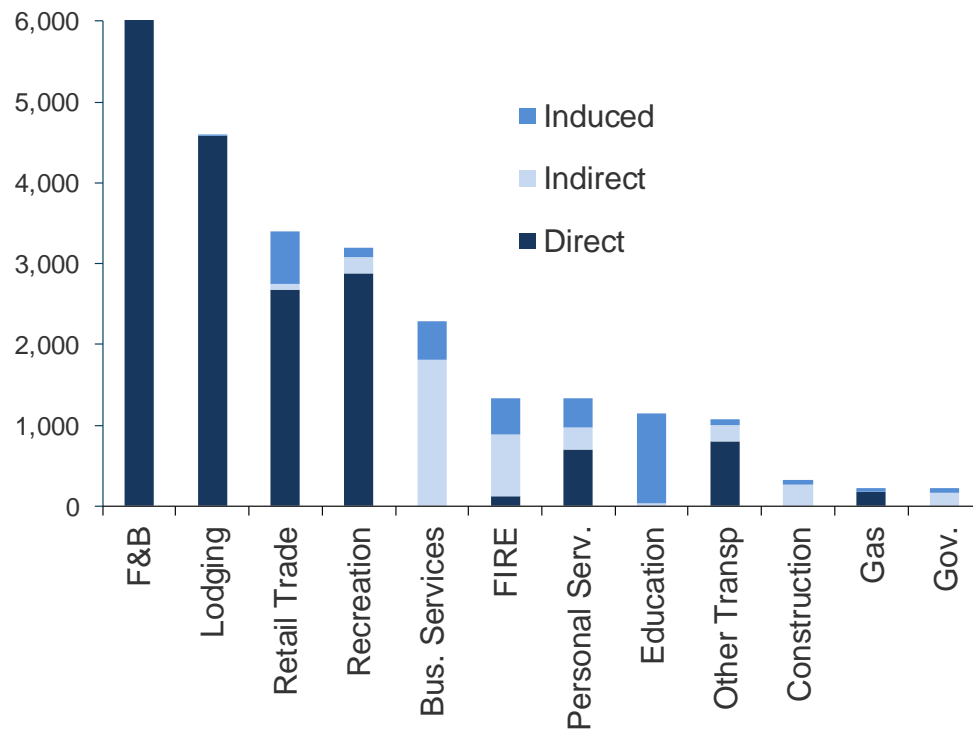
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	4	3	6
Construction and Utilities	-	267	60	327
Manufacturing	-	56	12	68
Wholesale Trade	-	60	106	167
Air Transport	12	8	13	33
Other Transport	796	206	74	1,076
Retail Trade	2,675	72	657	3,404
Gasoline Stations	180	3	37	219
Communications	-	152	51	203
Finance, Insurance and Real Estate	119	768	442	1,329
Business Services	-	1,804	488	2,292
Education and Health Care	-	31	1,116	1,147
Recreation and Entertainment	2,872	204	125	3,200
Lodging	4,579	8	4	4,590
Food & Beverage	6,063	403	628	7,093
Personal Services	692	283	353	1,328
Government	-	167	51	218
TOTAL	17,985	4,495	4,220	26,700

- The tourism industry supported 26,700 jobs or 15.0% of employment (1-in-7 jobs) in Buncombe County in 2016, including indirect and induced impacts.

Tourism employment summary

- As a labor intensive collection of services, tourism-related industries are significant Asheville area employers.
- The nearly 27,000 jobs supported by Asheville area tourism span every sector of the economy, either directly or indirectly.
- 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	-	12.2	3.2	15.4
Manufacturing	-	2.9	0.6	3.5
Wholesale Trade	-	3.4	6.1	9.5
Air Transport	0.8	0.5	0.8	2.1
Other Transport	35.3	9.1	3.2	47.7
Retail Trade	65.9	2.1	19.5	87.4
Gasoline Stations	6.5	0.1	1.3	8.0
Communications	-	8.5	2.9	11.4
Finance, Insurance and Real Estate	6.8	16.3	11.9	35.0
Business Services	-	56.9	15.8	72.8
Education and Health Care	-	0.6	55.9	56.5
Recreation and Entertainment	69.0	2.6	2.7	74.3
Lodging	120.9	0.2	0.1	121.3
Food & Beverage	177.6	9.1	14.6	201.4
Personal Services	25.1	10.4	12.6	48.1
Government	-	12.2	3.4	15.6
TOTAL	507.9	147.3	154.7	810.0

- Employees in the Asheville area earned \$810 million as a result of visitor activity in 2016.

Tourism tax generation

Tourism-Generated Tax Revenues 2016, Millions	
	Amount
Federal	163.0
Personal Income	38.1
Corporate	23.6
Indirect business	19.3
Social Security	82.0
State	99.0
Personal Income	16.1
Corporate	2.9
Sales	65.8
Social Security	0.8
Other Taxes and Fees	13.5
Local	103.5
Sales	31.2
Occupancy tax	20.3
Property	49.0
Other Taxes and Fees	3.0
TOTAL	365.5

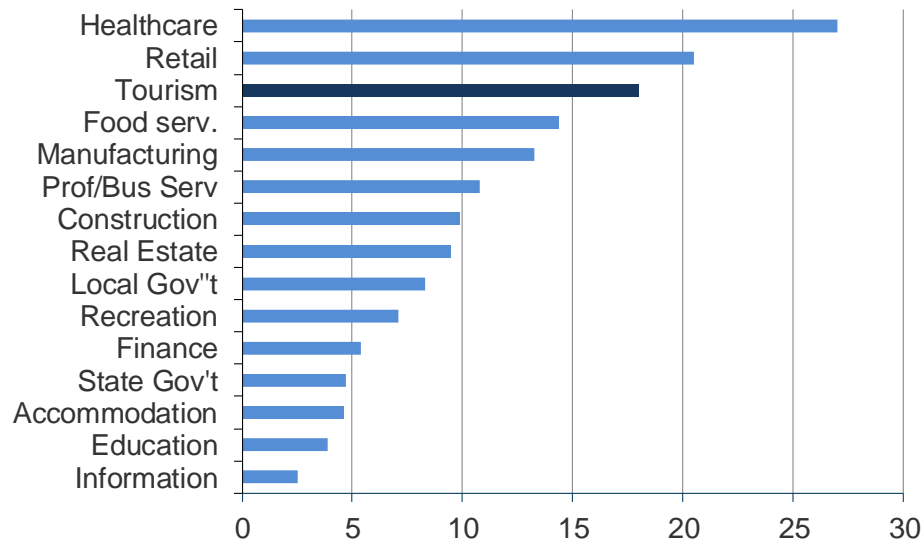
- Tourism generated \$365.5 million in taxes in 2016.
- Tourism-driven state and local tax proceeds amounted to \$202.5 million. Excluding occupancy tax revenues, tourism helped to offset the average household tax burden by \$1,800 per household.
- Local taxes generated included property and sales tax revenues, and amounted to \$103.5 million in 2016.

Buncombe County tourism in context

- Taken as an industry, with nearly 18,000 direct jobs
Tourism is the third largest employer in the County, larger than Manufacturing, Construction, Finance, Education, and Information.

Asheville Region Jobs by Industry

Buncombe County, thousands, 2016



Sources: BEA, BLS, Tourism Economics

Methodology and Background



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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 visitor expenditures in Buncombe County were based on several sources:
 - Smith Travel Research (STR) data on hotel room demand, supply, and revenues.
 - County level tax data on sales and hotel occupancy receipts.
 - Visitor profile and volume, and spending estimates from Longwoods International, 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 Buncombe 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.

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 Buncombe 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.

About Tourism Economics

- Tourism Economics, headquartered in Philadelphia, is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of regional and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.
- Our staff have worked with over 100 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
- 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 is founded on a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 70 highly-experienced professional economists; a dedicated data analysis team; global modeling tools; close links with Oxford University, and a range of partner institutions in Europe, the US and in the United Nations Project Link.



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