The Economic Impact of Tourism in Buncombe County, North Carolina

2014 Analysis

June 2015

ASHEVILLE
Discovery, inside and out

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Introduction and definitions

- This study measures the economic impact of tourism in Buncombe County.
- Visitors included those who stayed in overnight accommodations or travelers who came from a distance greater than 50 miles.
- 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 Buncombe County economy, and the industry is making significant contributions to economic growth, generating business sales, employment, and tax revenues.

- Visitors to Buncombe County spent $1.7 billion in 2014, which generated $2.6 billion in total business sales, including indirect and induced impacts.

- Tourism in Buncombe County generated $287 million in tax revenues in 2014, including $144 million in state and local revenues.

Headline results

- Including direct, indirect, and induced impacts, 24,856 jobs were sustained by visitors to Buncombe County in 2014 with total income of $714 million.
- Approximately 14.8% (1 in 7) of all jobs in Buncombe County were sustained by tourism.
- An estimated 25% of tourism-supported jobs were in the food and beverage industry, 18% in lodging, 13% were in retail, and 12% in recreation.

Key Trends in 2014

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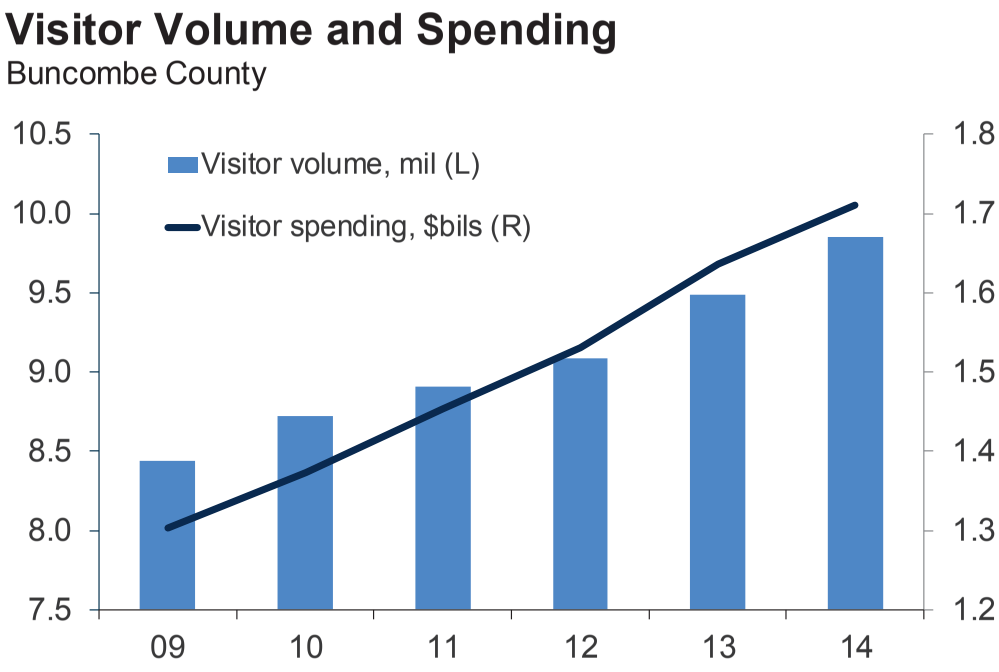
Key themes for 2014

- Visitor volume and spending in Buncombe County grew in 2014, driven by job and income growth in the broader North Carolina and regional economy.

- An estimated 9.8 million visitors (including day and overnight) spent a total of $1.7 billion in 2014, increases of 3.9% and 4.6%, respectively, from 2013.



Sources: Longwoods International, Tourism Economics

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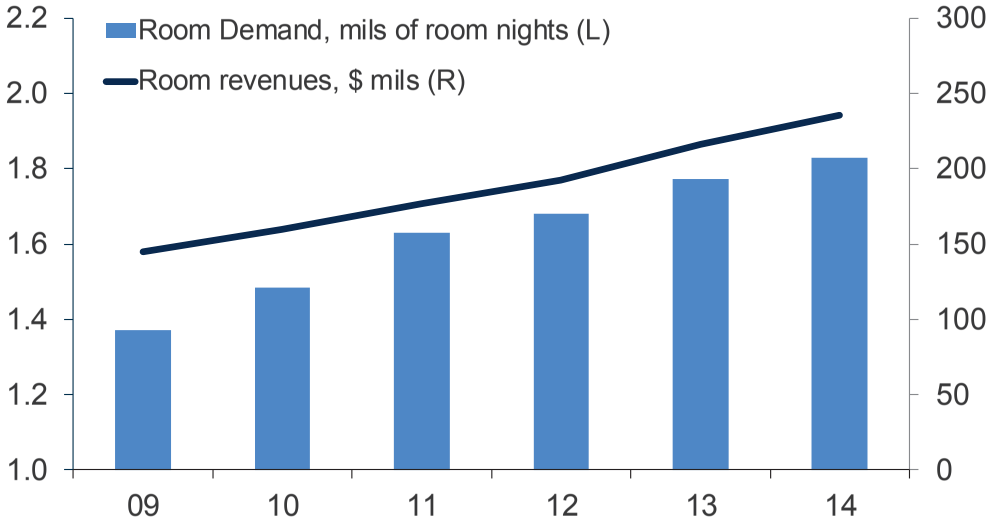
Key themes for 2014

- Buncombe County's lodging fundamentals continued to tighten in 2014.
- Room demand rose 3.1%, compared with a 0.8% decrease in room-supply, versus 2013.
- Strong demand growth boosted occupancy to 69.3%, up from 66.6% in 2013.
- Rising occupancy drove room rates higher by 5.6% from 2013.
- Strong demand and rising prices boosted room revenues 9.0% versus 2013.

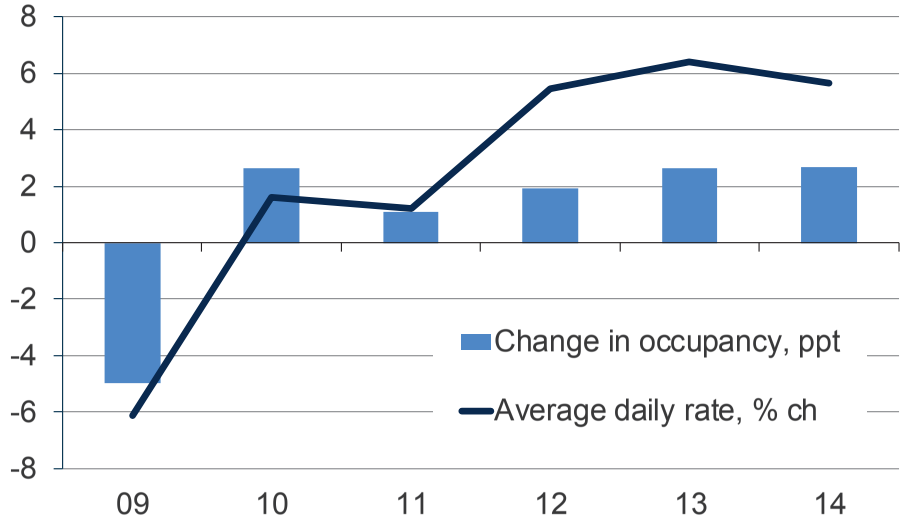
Lodging Demand Is Rising



Source: Smith Travel Research

Tightening Occupancy Boosted Prices

Asheville market



Source: Smith Travel Research

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Key themes for 2014

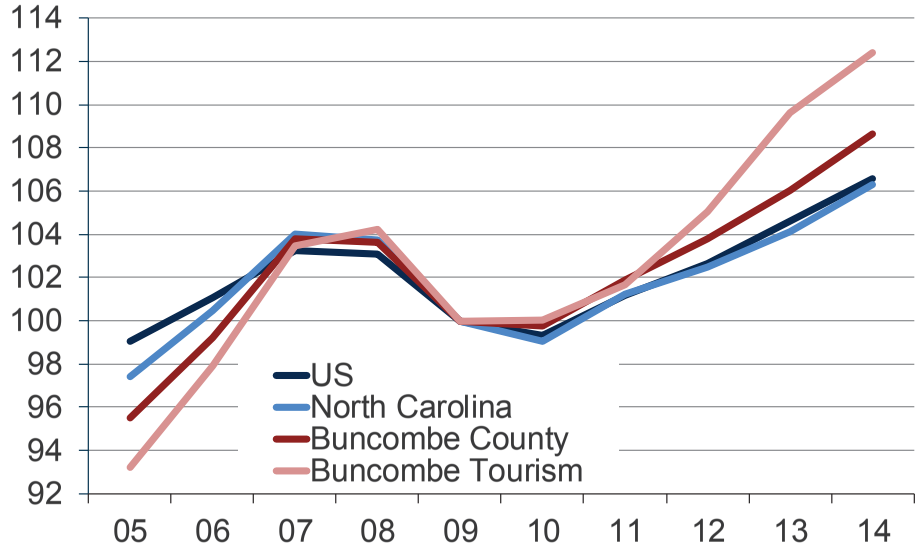
- Within the County, tourism employment is expanding faster than overall job growth. Industry employment is 12.6% higher than in 2009, versus 8.7% for the County overall.

- Tourism has added nearly 400 jobs per year since 2009, average annual growth of 2.4%.

- In 2014, the unemployment rate in the county was 4.6%. Without tourism it would have been 15.9%.

Tourism Jobs Outpace the Broader Recovery

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

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Visitors and Spending

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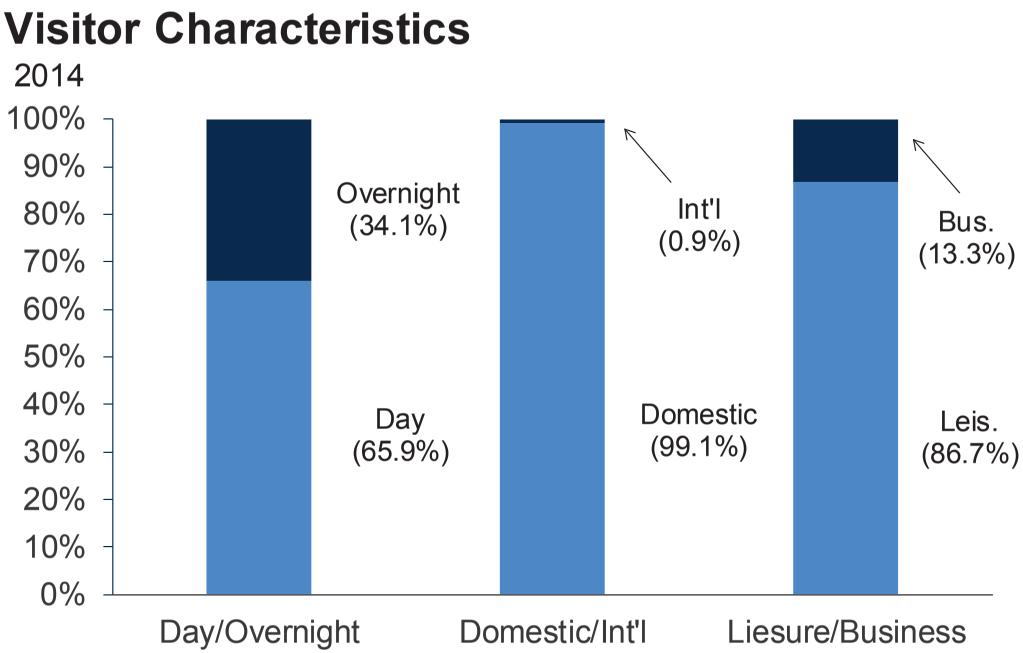
Visitor details in 2014



Sources: DKS, Tourism Economics
Note: Overnight/Day and Bus./Leisure segments are domestic only

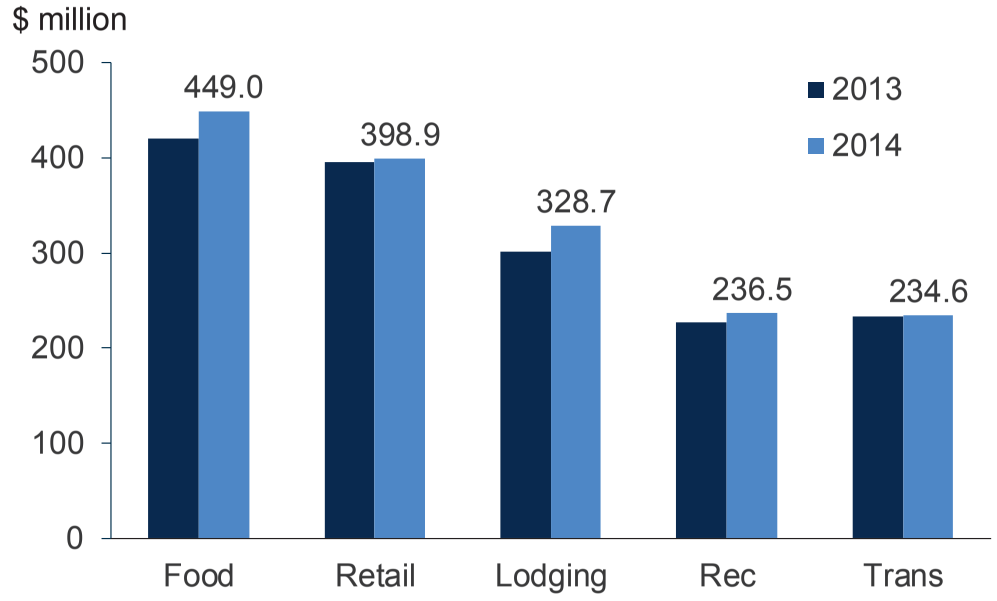
- Buncombe County hosted a total of 9.8 million visitors in 2014.
- Most visitors were day visitors (65.9%) and most came for leisure (86.7%).
- International visitors accounted for 0.9% of total visitor volume.
- The average visitor spending was $104 per person per day, 0.4% higher than in 2013. The average party spending was $381 per trip.

Composition of tourism spending

- Food and beverage accounted for most visitor spending with $449 million, followed by retail at $399 million, $329 million in lodging spending, and $237 million in local transportation in 2014.

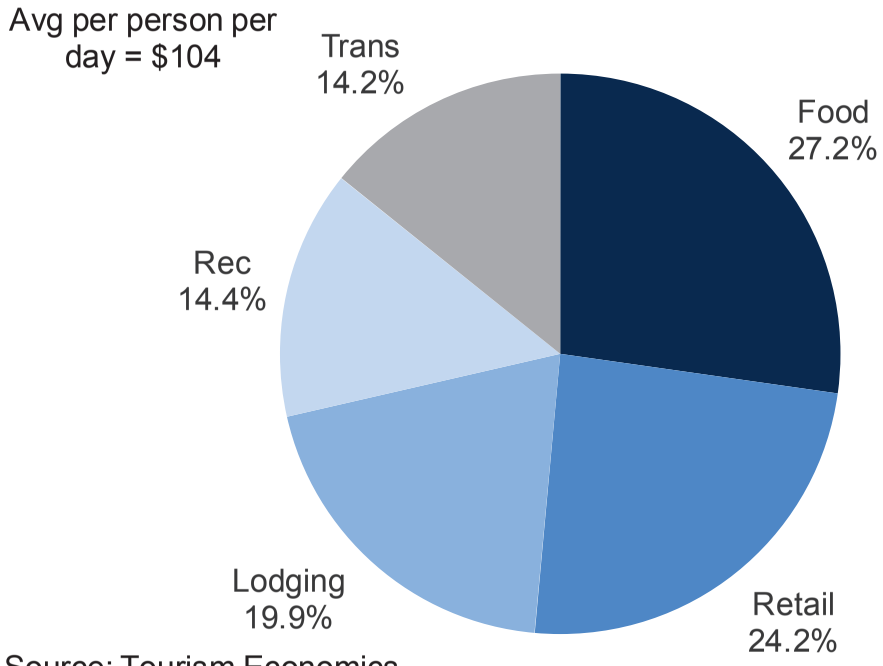
- About half of visitor spending was on food and beverage and retail combined, and lodging accounted for 20% of visitor spending.

Visitor Spending by Category



Source: Tourism Economics

Visitor Spending Profile for 2014



Source: Tourism Economics

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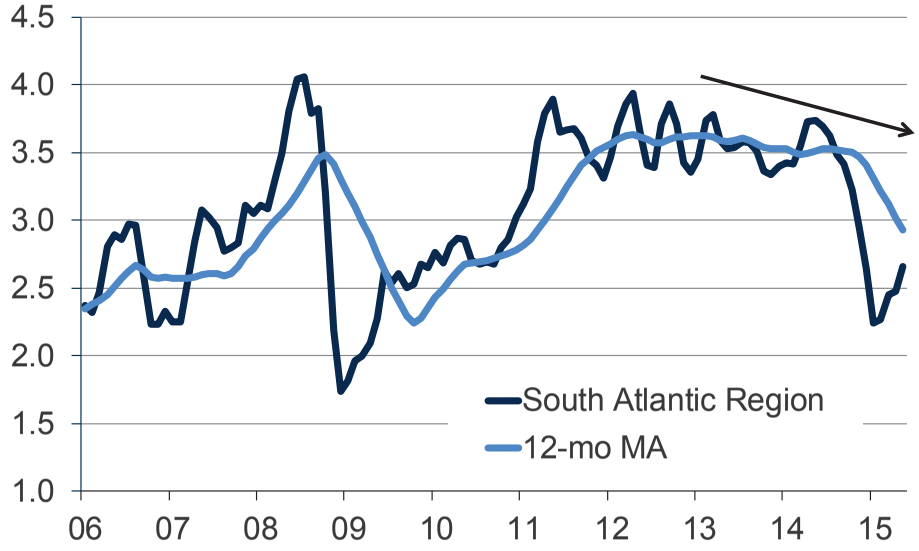
Lower fuel prices free up resources

Fuel Prices Are On a Two-Year Decline

South Atlantic Region average gasoline price, dollars per gallon



Source: Energy Information Administration

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

Visitor spending trends

- Visitor spending increased 4.6% in 2014, with the lodging and food and beverage industries leading. Lodging spending grew 9.0% as both prices and room-night demand increased.

- Visitor spending on food and beverage and recreation increased 6.8% and 4.4%, respectively, changes that were similar to those of one year ago, maintaining momentum.

Visitor Spending By Category

(US$ Million)

	2010	2011	2012	2013	2014	*2013-14 % ch*
Food and beverage	349.9	370.9	394.3	420.6	449.0	*6.8%*
Retail	338.9	351.3	370.8	395.1	398.9	*1.0%*
Lodging	232.5	247.7	268.5	301.7	328.7	*9.0%*
Recreation	211.1	209.7	215.1	226.6	236.5	*4.4%*
Transportation (local)	191.5	224.9	228.8	232.8	234.6	*0.8%*
Second homes value	46.1	45.1	49.5	55.8	59.1	*6.0%*
Air	3.6	3.5	3.1	3.2	3.4	*4.1%*
Total	**1,373.5**	**1,453.0**	**1,530.1**	**1,635.9**	**1,710.4**	
% change	5.4%	*5.8%*	*5.3%*	*6.9%*	*4.6%*	

Economic Impacts

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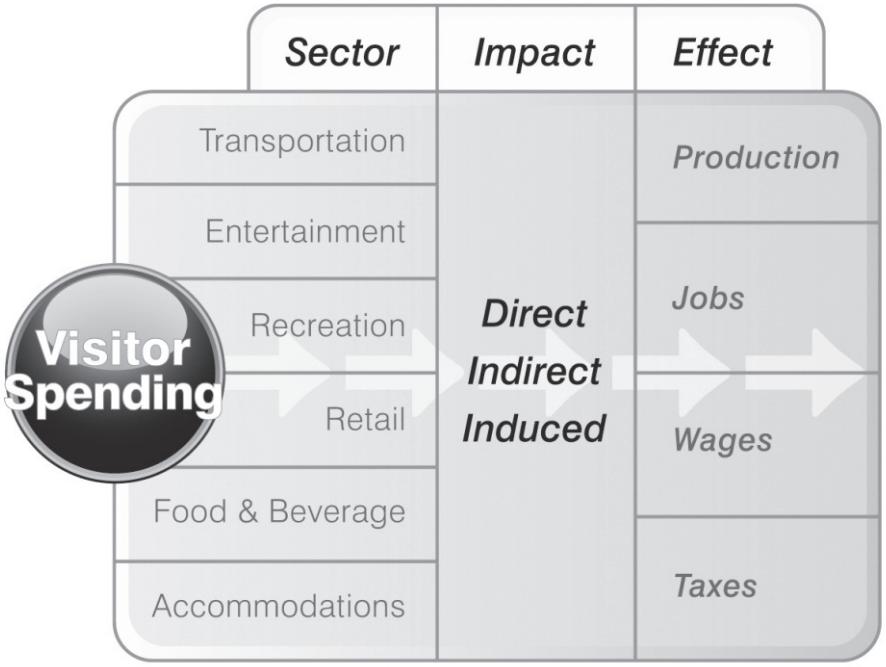
How visitor spending generates impact

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



- 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.

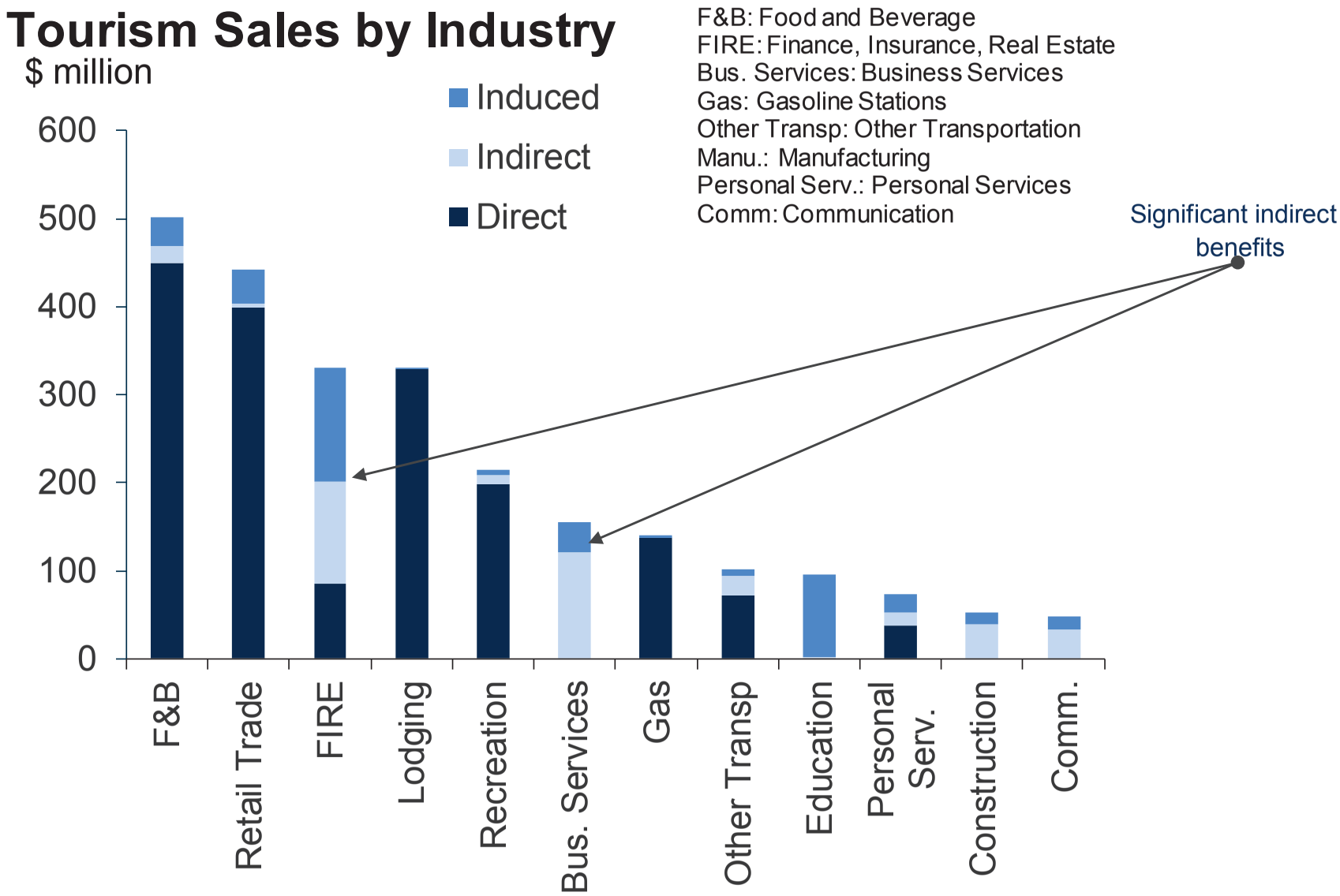
Tourism sales

- Including indirect and induced business sales, tourism generated more than $2.6 billion in revenue in 2014.

Tourism Sales (US$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.2	0.2	0.4
Construction and Utilities	-	39.6	13.2	52.8
Manufacturing	-	14.3	6.3	20.6
Wholesale Trade	-	8.5	15.0	23.6
Air Transport	3.4	2.2	3.6	9.2
Other Transport	72.5	21.0	7.5	101.0
Retail Trade	398.9	4.2	39.7	442.8
Gasoline Stations	136.5	0.3	3.4	140.1
Communications	-	32.7	14.7	47.4
Finance, Insurance and Real Estate	84.8	116.2	129.4	330.4
Business Services	-	121.3	33.3	154.6
Education and Health Care	-	1.5	93.5	95.0
Recreation and Entertainment	198.9	9.1	6.8	214.7
Lodging	328.7	0.7	0.4	329.9
Food & Beverage	449.0	20.4	32.5	501.9
Personal Services	37.7	15.3	20.8	73.7
Government	-	16.9	7.0	23.9
TOTAL	1,710.4	424.6	427.2	2,562.1

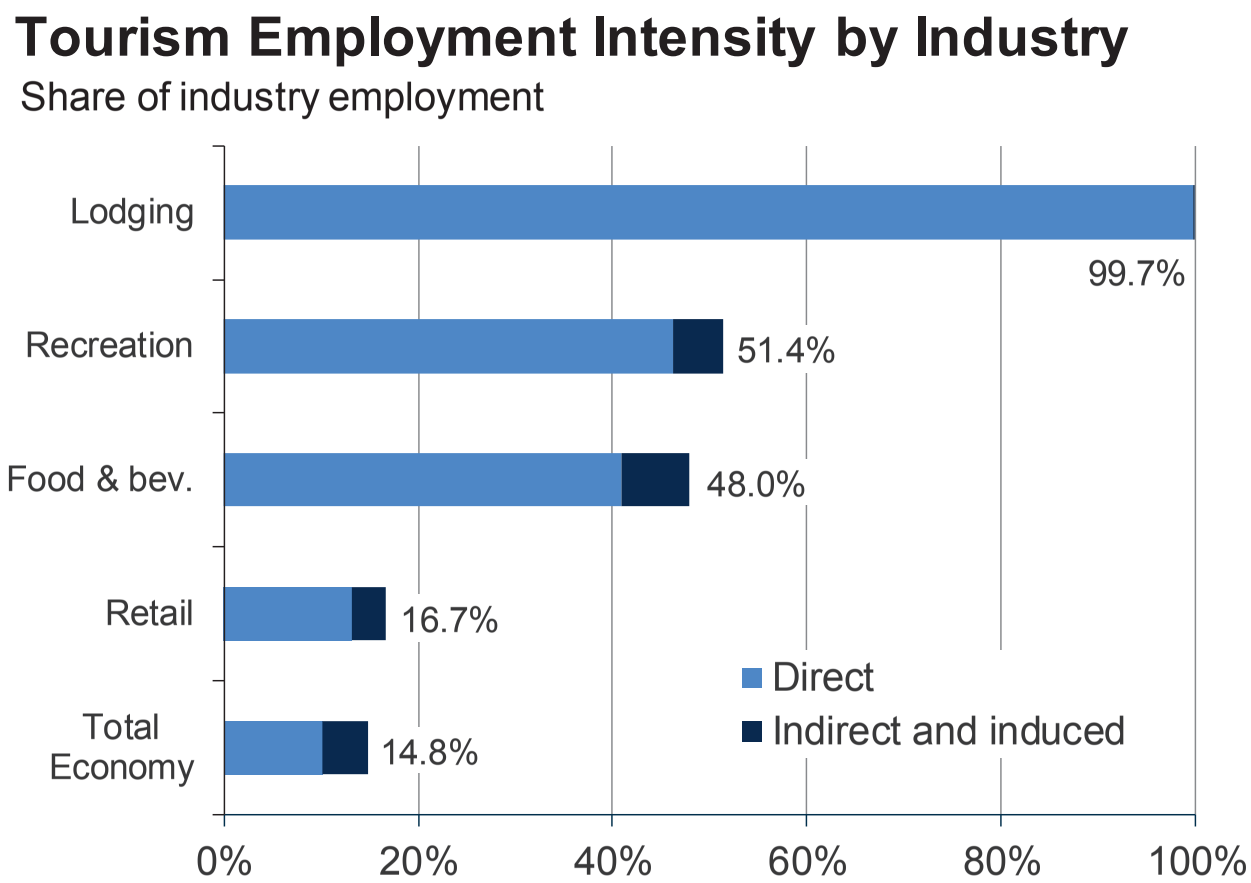
* Direct sales include cost of goods sold for retail sectors

Tourism sales



* Direct sales include retail cost of goods sold

Tourism share of key industry employment



Source: Tourism Economics

- Tourism is a significant part of several industries – tourism directly supports nearly all of lodging employment, 46% of recreation, and more than 40% of food and beverage employment.

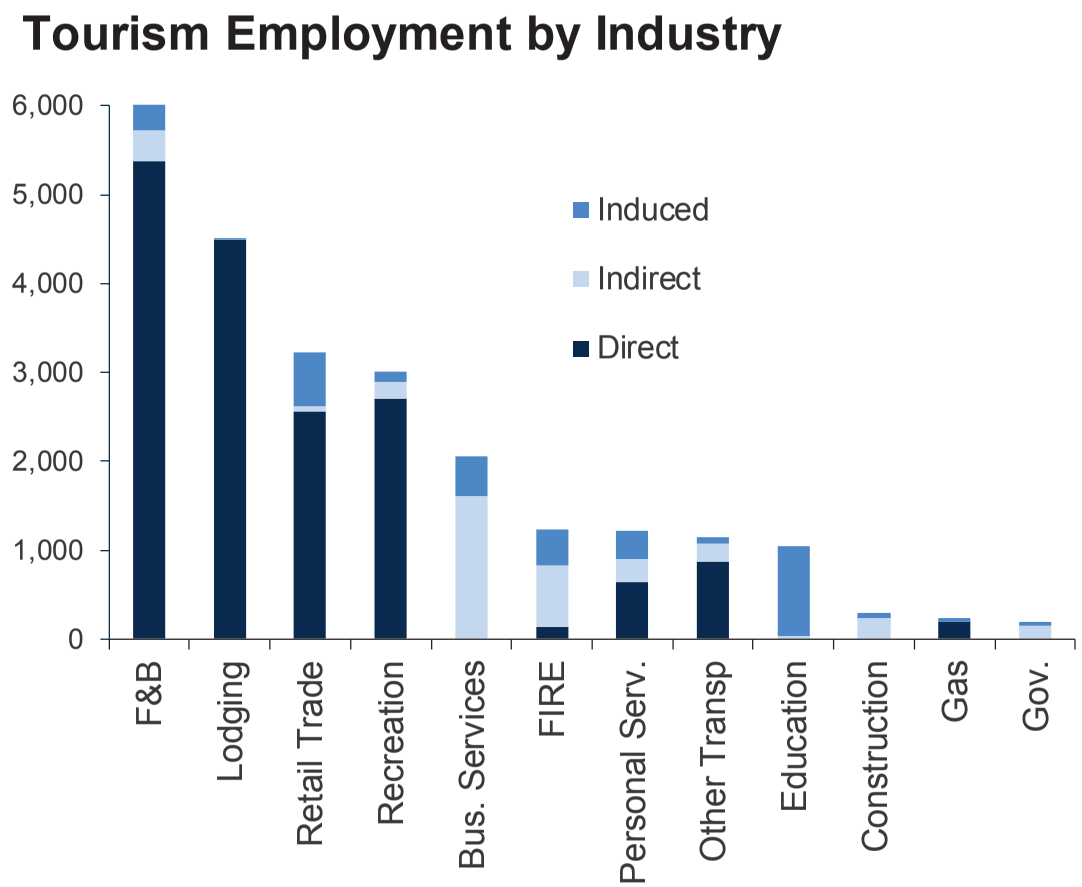
Tourism employment details

Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	3	3	6
Construction and Utilities	-	235	54	289
Manufacturing	-	50	11	61
Wholesale Trade	-	55	97	152
Air Transport	11	7	12	30
Other Transport	877	194	67	1,138
Retail Trade	2,557	65	599	3,220
Gasoline Stations	196	3	34	232
Communications	-	135	46	181
Finance, Insurance and Real Estate	131	694	402	1,228
Business Services	-	1,612	445	2,058
Education and Health Care	-	29	1,018	1,047
Recreation and Entertainment	2,699	189	114	3,001
Lodging	4,492	7	4	4,502
Food & Beverage	5,375	349	573	6,297
Personal Services	646	251	322	1,219
Government	-	149	47	196
TOTAL	16,983	4,026	3,848	24,856

- The tourism industry supported 24,856 jobs or 14.8% of employment (1-in-7 jobs) in Buncombe County in 2014, including indirect and induced impacts.

Tourism employment summary

- As a labor intensive collection of services, tourism-related industries are significant Buncombe County employers.
- The nearly 25,000 jobs supported by Buncombe County 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.



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	0.1
Construction and Utilities	-	10.4	2.8	13.1
Manufacturing	-	2.5	0.5	3.0
Wholesale Trade	-	3.0	5.3	8.4
Air Transport	0.7	0.5	0.7	1.8
Other Transport	37.7	8.3	2.9	48.9
Retail Trade	60.9	1.8	17.2	79.9
Gasoline Stations	6.9	0.1	1.2	8.2
Communications	-	7.3	2.6	9.8
Finance, Insurance and Real Estate	7.2	14.2	10.5	31.9
Business Services	-	49.2	14.0	63.1
Education and Health Care	-	0.6	49.2	49.8
Recreation and Entertainment	62.8	2.4	2.3	67.5
Lodging	95.9	0.2	0.1	96.2
Food & Beverage	155.3	7.6	12.9	175.8
Personal Services	22.7	8.9	11.1	42.7
Government	-	10.5	3.0	13.5
TOTAL	450.1	127.4	136.4	713.9

- Employees in Buncombe County earned $714 million as a result of visitor activity in 2014.

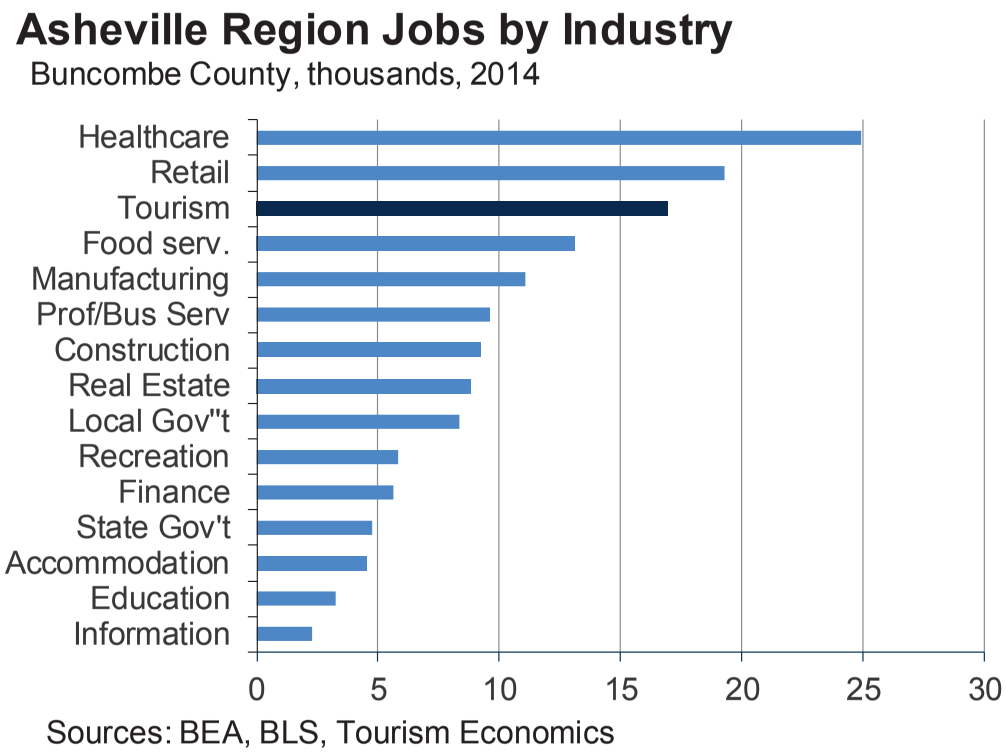
Tourism tax generation

Tourism-Generated Tax Revenues 2014, Millions	
	Amount
Federal	143.3
Personal Income	33.6
Corporate	20.7
Indirect business	16.9
Social Security	72.1
State	76.8
Personal Income	14.2
Corporate	2.5
Sales	47.5
Social Security	0.7
Other Taxes and Fees	11.8
Local	66.8
Sales	11.8
Occupancy tax	9.4
Property	43.0
Other Taxes and Fees	2.6
TOTAL	286.8

- Tourism generated $287 million in taxes in 2014.
- Tourism-driven state and local tax proceeds amounted to $144 million. Excluding Occupancy tax revenues, tourism generated $1,232 in tax revenue per household in Buncombe County.
- City and County taxes generated included property and sales tax revenues, and amounted to $67 million in 2014.

Buncombe County tourism in context

- Taken as an industry, with nearly 17,000 direct jobs Tourism is the third largest employer in the County, larger than Manufacturing, Construction, Finance, Education, and Information.



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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 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 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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