

COVID-19's Impact on Virginia's Visitor Economy

September 10st, 2020

PREPARED FOR:

VIRGINIA TOURISM CORPORATION

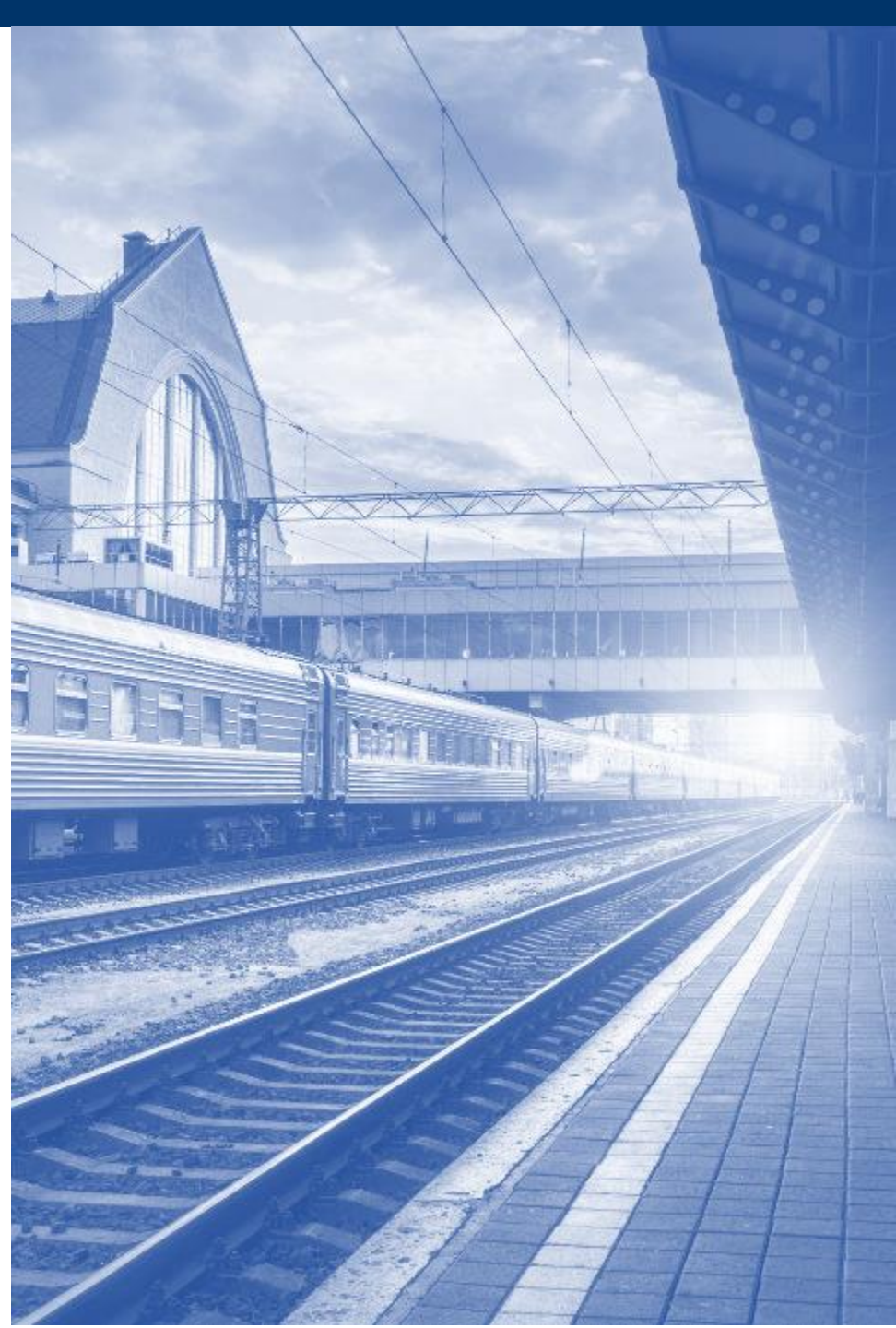


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REPORT HIGHLIGHTS

REPORT HIGHLIGHTS

We developed three scenarios to determine a range of possible impacts



Upside Scenario

Total tourism spending losses reach \$9.0 billion in 2020, a 34% drop compared to 2019. 56,600 jobs supported by tourism spending are lost.



Baseline Scenario

Total tourism spending losses reach \$10.0 billion in 2020, a 37% drop compared to 2019. 62,300 jobs supported by tourism spending are lost.



Downside Scenario

Total tourism spending losses reach \$10.9 billion in 2020, a 41% drop compared to 2019. 68,000 jobs supported by tourism spending are lost.

Summary of COVID-19 related tourism spending losses in three scenarios

Dollar figures in millions

	2020	2021
Upside		
Lost visitor spending, \$	\$9,049	\$3,814
Lost visitors spending, %	34%	14%
Lost jobs	56,544	23,832
Room revenue	\$1,829	\$738
Baseline		
Lost visitor spending, \$	\$9,965	\$5,122
Lost visitors spending, %	37%	19%
Lost jobs	62,253	31,995
Room revenue	\$1,907	\$941
Downside		
Lost visitor spending, \$	\$10,883	\$7,797
Lost visitors spending, %	41%	29%
Lost jobs	67,979	48,679
Room revenue	\$1,977	\$1,368

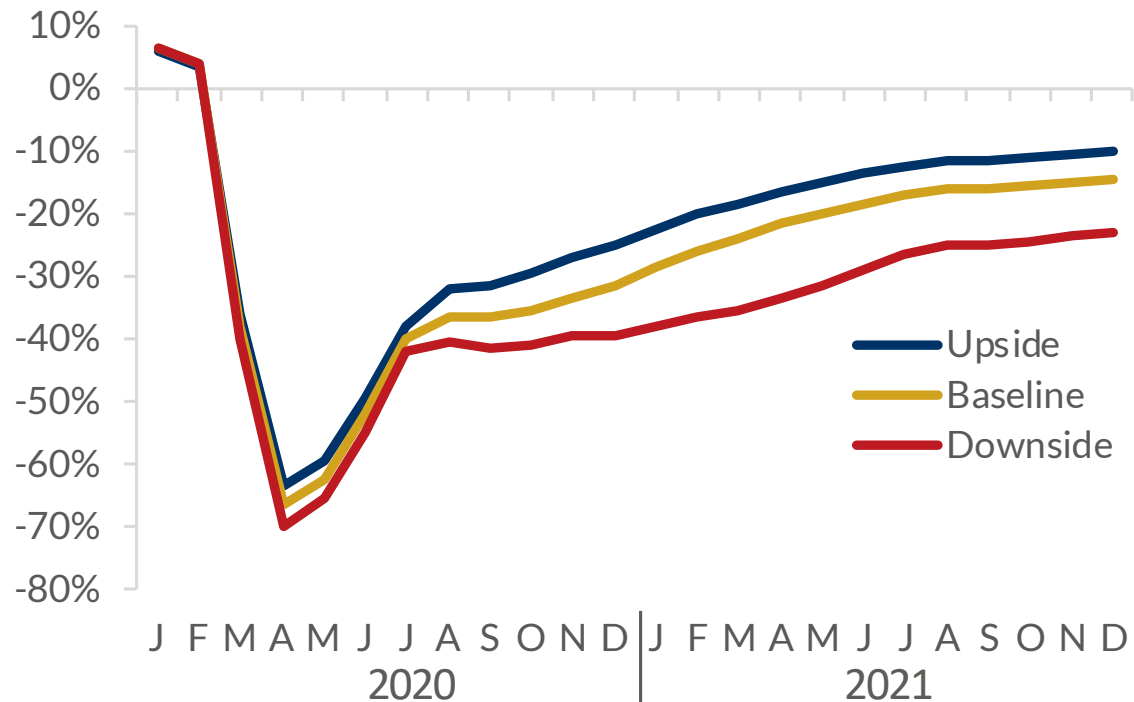
Sources: Tourism Economics; STR; US Travel

REPORT HIGHLIGHTS

Lost spending by month

Virginia's COVID-19 related traveler spending losses in three scenarios

Percent losses compared to 2019

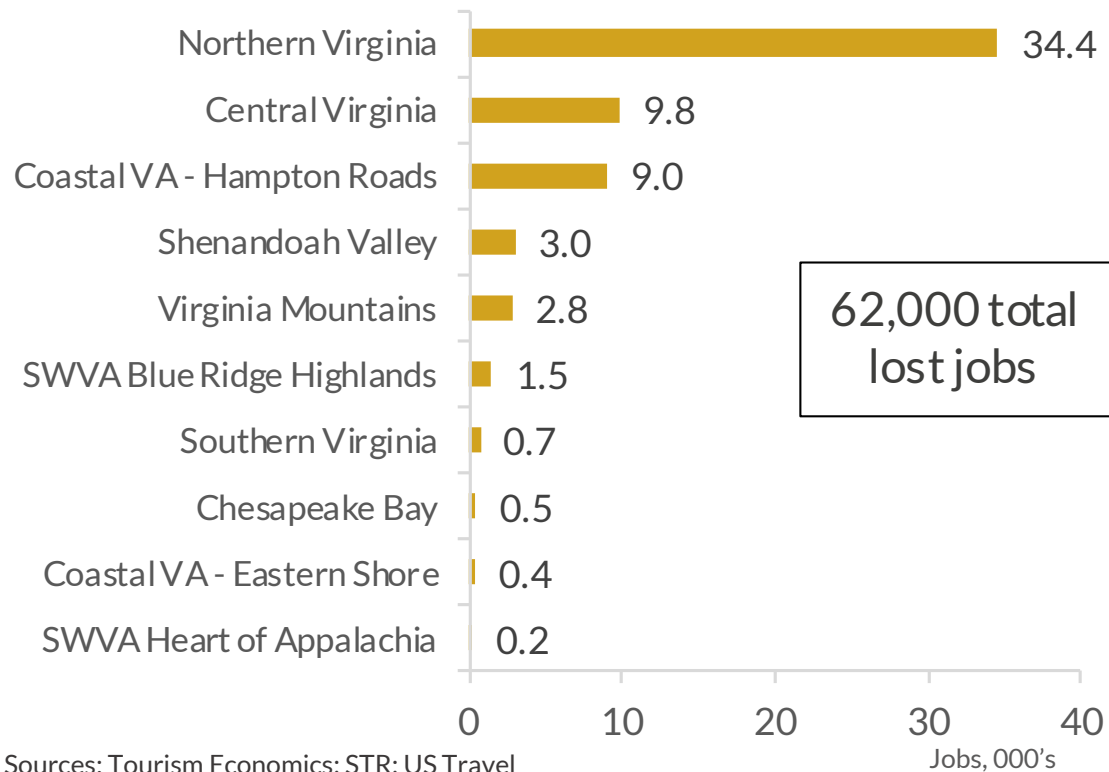


Sources: Tourism Economics; STR; US Travel

REPORT HIGHLIGHTS

Lost jobs by region

Virginia regional job losses due to COVID-19, Baseline Scenario, 2020



REPORT HIGHLIGHTS

Lost room revenue by month

Virginia's forecasted room revenue in three scenarios

Dollars, billions - losses compared to 2019

	Calendar years			Fiscal years			
	2019	2020	2021	2019	2020	2021	2022
Forecast							
Upside	\$4.1	\$2.3	\$3.3	\$4.2	\$3.1	\$2.8	\$3.6
Baseline	\$4.1	\$2.2	\$3.1	\$4.2	\$3.1	\$2.6	\$3.4
Downside	\$4.1	\$2.1	\$2.7	\$4.2	\$3.1	\$2.3	\$3.0
Losses							
Upside	--	\$1.8	\$0.7	--	\$1.1	\$1.3	\$0.6
Baseline	--	\$1.9	\$0.9	--	\$1.1	\$1.5	\$0.8
Downside	--	\$2.0	\$1.4	--	\$1.1	\$1.8	\$1.2

Sources: Tourism Economics; STR; US Travel

THE COVID-19 PANDEMIC

THE COVID-19 PANDEMIC

State of the pandemic

States have had different levels of success combating the spread of COVID-19.

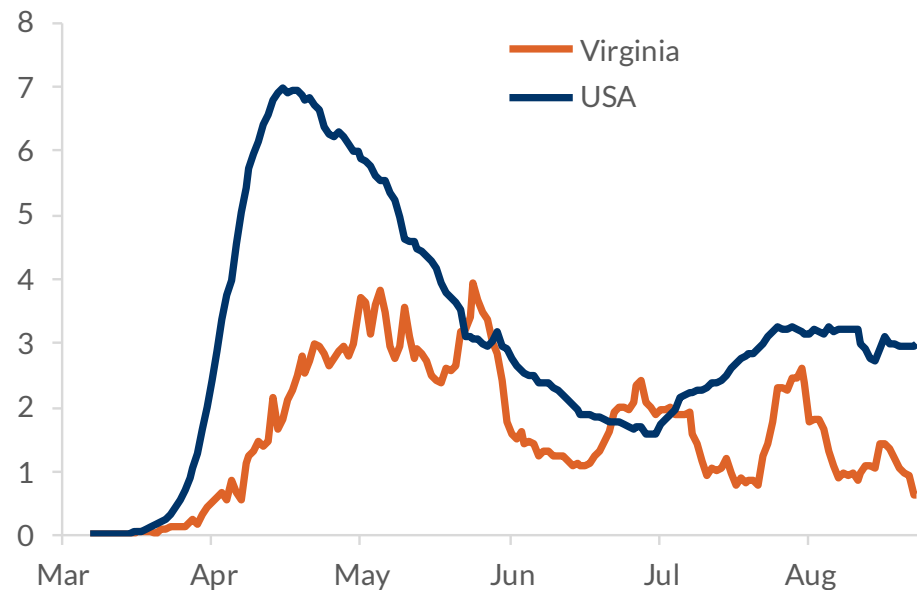
This section will briefly review the COVID-19 pandemic.

This pandemic will continue to be the dominate force in shifting the world's economic prospects for the foreseeable future. In the US, cases and deaths increased in June and July, before beginning to decline again in August.

Virginia has generally seen few per capita deaths than the US throughout the pandemic.

COVID-19 deaths per capita

Daily deaths per million residents



Source: IHME

THE COVID-19 PANDEMIC

Economic impact

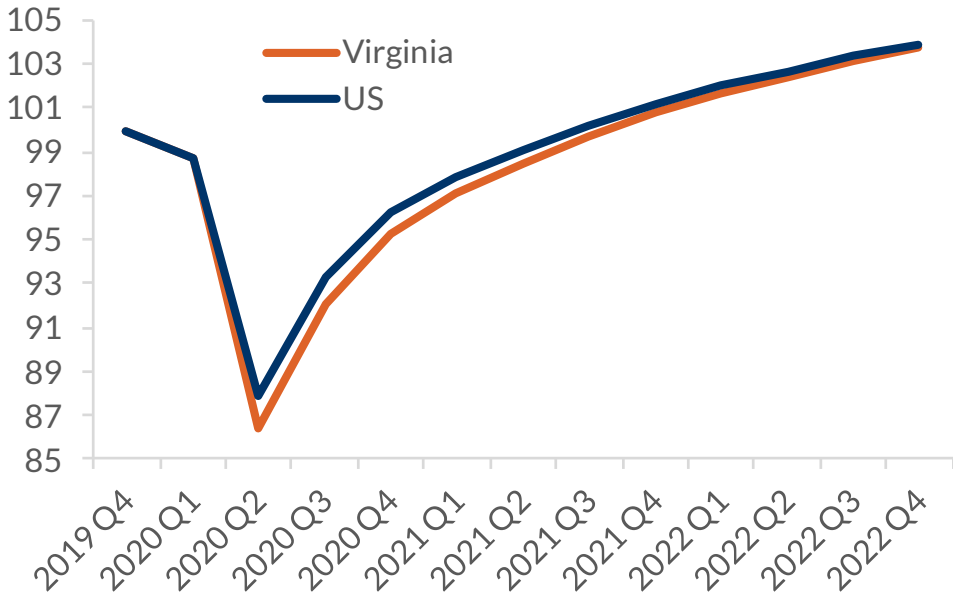
Virginia's GDP will recover slightly slower than the US.

The pandemic created an acute recession, but growth has already resumed. We forecast that Virginia will reach its 2019q4 GDP level in 2021q4 while the US will recover by 2021q3. By the end of 2022, Virginia will catch up to the US's recovery rate.

Employment will recover more slowly, causing the national unemployment rate to remain above 5% until 2023.

GDP growth in Virginia and the US

Index (2019 q4 = 100)



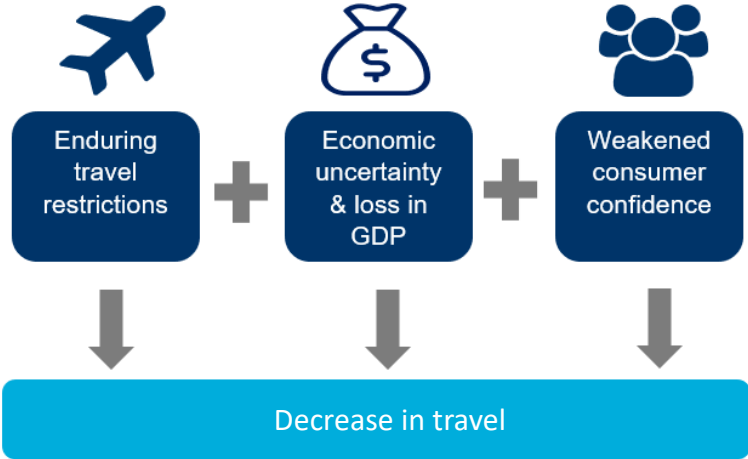
Sources: Tourism Economics; STR; US Travel

THE COVID-19 PANDEMIC

The underlying issues for travel

The pandemic creates three broad areas of uncertainty in the outlook.

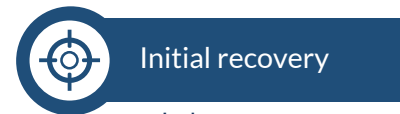
Actual limits on travel are only part of the problem. Fear of the virus, economic uncertainty, and loss of income will linger after travel restrictions are eased and hamper the travel sector's recovery.



THE COVID-19 PANDEMIC

Anatomy of a recovery

Return to “normal” levels of travel will be a multi-year effort, with domestic travel leading followed by regional international and finally long-haul international.



- Leisure
- Drive



- Essential business
- Small- and medium-size groups
- Regional international (intra-Americas, intra-Europe)



- Long-haul international
- Large events

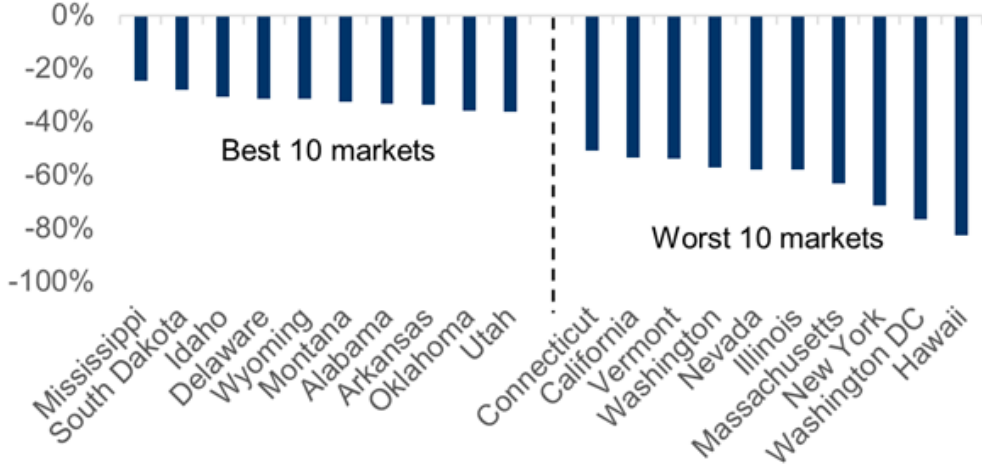
THE COVID-19 PANDEMIC

Impacts by state

Rural and outdoor destinations are outperforming urban destinations.

Weekly travel spending (week ending July 25th)

Percent year-over-year change



Sources: Tourism Economics; US Travel

THE COVID-19 PANDEMIC

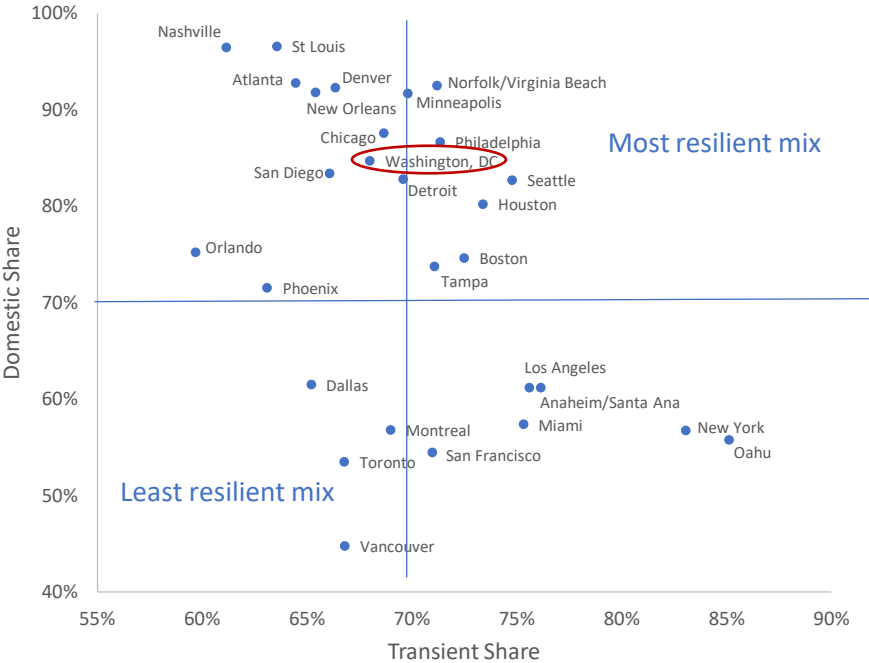
Impacts by destination

Recovery rates will largely depend on a destination's market mix.

Destinations with high share of domestic and transient visitors will recover faster, along with destinations with recreation opportunities that allow for social distancing.

Hotel room demand by customer type

Share of 2019 room nights sold



Sources: Tourism Economics; US Travel

THE COVID-19 PANDEMIC

Mobility impacts

Mobility data shows the impact the pandemic has had on consumer behavior.

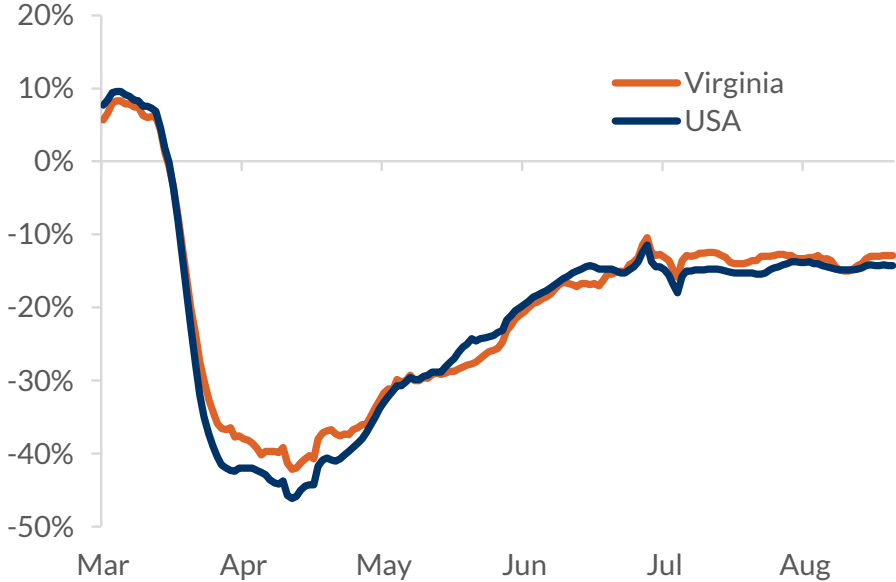
Google mobility data shows the impact the pandemic has had on consumer behavior.

Visits to retail and recreation venues remain well below their pre-pandemic levels*.

*note that this comparison is to a five-week period in January and February, so in a typical year visits to retail and recreation would be much higher than 0%.

Google mobility data for retail and recreation areas

Percent change compared to a five-week period in January and February



Sources: Google Community Mobility Report

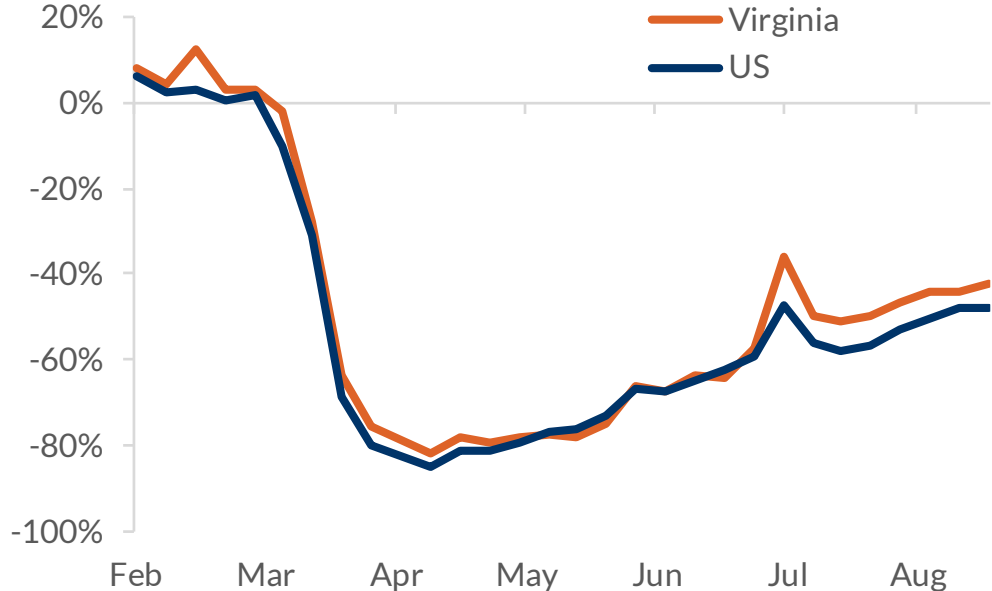
THE COVID-19 PANDEMIC

Hotel impacts

Room revenue has fallen sharply, but Virginia is doing slightly better than the US.

Room revenue in Virginia and the US

Percent change compared 2019



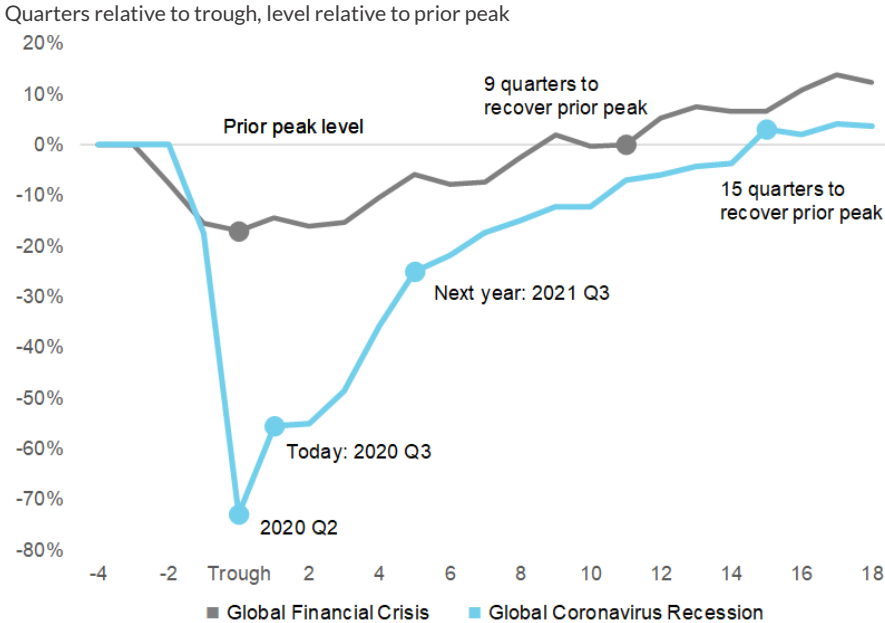
Source: STR

THE COVID-19 PANDEMIC

Hotel impacts

Room revenue will not recover until 2023 or 2024, a much slower recovery than the prior recession.

Room revenue recovery comparison – 2008 vs 2020



Sources: Google Community Mobility Report







SCENARIO OVERVIEW

THE SCENARIO OVERVIEW

We developed three scenarios to determine a range of possible impacts

The scenarios vary in the degree of virus containment and the rate of economic recovery.

- All scenarios assume that a vaccine will be widely available in 2021.
- Downside risks are greater than upside possibilities, so the Upside scenario is closer to the Baseline than the Downside.

Scenario	Virus-related inhibitions on travel	Key economic indicators (forecast current as of August 27th, 2020)	Economic drag	Virus drag
Upside	<ul style="list-style-type: none"> • Virus moderately contained, travel restrictions continue to ease • Traveler risk aversion remains moderate to high through 2020 	<ul style="list-style-type: none"> • Peak national unemployment rate 13.0% - 2020 Q2 • National GDP declines 3.2% in 2020 • GDP returns to 2019 Q4 level in 2021 Q1 		
Baseline	<ul style="list-style-type: none"> • Virus contained in some regions, however many restrictions and containment measures remain through 2020 • In some areas, groups permitted to meet with modifications, but risk aversion reduces attendance 	<ul style="list-style-type: none"> • Peak national unemployment rate 13.0% - 2020 Q2 • National GDP declines 4.0% in 2020 • GDP returns to 2019 Q4 level in 2021 Q4 		
Downside	<ul style="list-style-type: none"> • Virus not well contained, many restrictions and containment measures remain in place in 2021 • Very limited group travel, greater risk aversion, many public places closed/limited, restaurants more limited 	<ul style="list-style-type: none"> • Peak national unemployment rate 17.0% - 2021 Q1 • National GDP declines 4.6% in 2020 • GDP returns to 2019 Q4 level in 2024 Q2 		

THE SCENARIO OVERVIEW

Key guideposts for the next 18 months

- Recovery has begun (notwithstanding the risks).
- Economic recovery has plateaued but will accelerate as virus is contained.
- Performance by destination will be incredibly disparate for the next nine months.
- Virginia will approach normalcy in the second half of 2021 with full recovery in 2024.
- Recovery timeline in individual regions will be largely a function of:
 1. Pandemic exposure;
 2. Travel market exposure (drive, leisure); and
 3. Ability to pivot to recovering market segments.

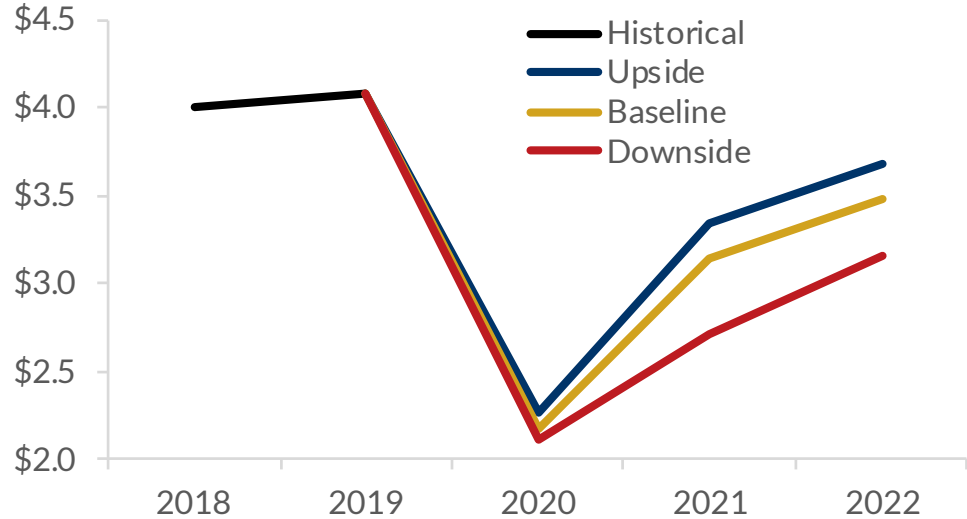
THE SCENARIO OVERVIEW

Spending overview

In all scenarios, recovery will be a multi-year process, spending will not reach 2019 levels until 2023 at the earliest.

Room revenue in Virginia, three scenarios

Percent change compared 2019



Source: STR

THE UPSIDE SCENARIO

THE UPSIDE SCENARIO

Summary data

Losses in 2020 amount to 34% of all spending or \$9.0 billion.

Upside Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021	2022
Economic impacts			
Lost visitor spending, \$	\$9,049	\$3,814	\$1,152
Lost visitors spending, %	34%	14%	4%
Lost jobs	56,544	23,832	7,200
Lost wages	\$2,184	\$932	\$282
Lost state taxes	\$373	\$157	\$47
Lost local taxes	\$237	\$98	\$29
Hotel impacts			
Lost room demand (millions)	11.7	3.1	1.2
Lost room revenue	\$1,829	\$738	\$404

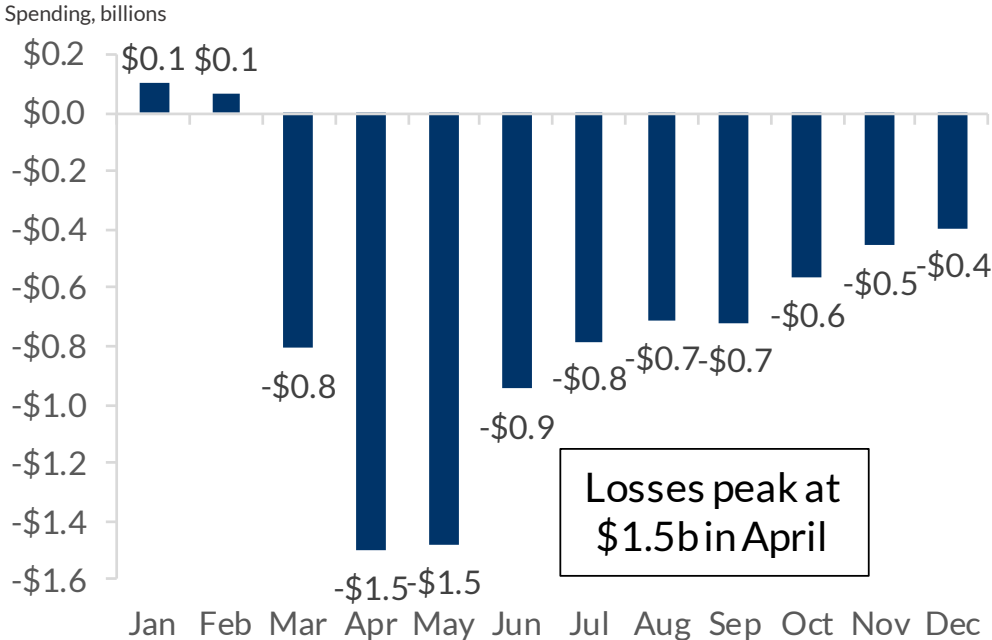
Sources: Tourism Economics; STR; US Travel

THE UPSIDE SCENARIO

Monthly impacts

Dollar losses peak in April at \$1.5 billion for the month.

Upside Scenario COVID-19 related tourism spending losses in Virginia, 2020



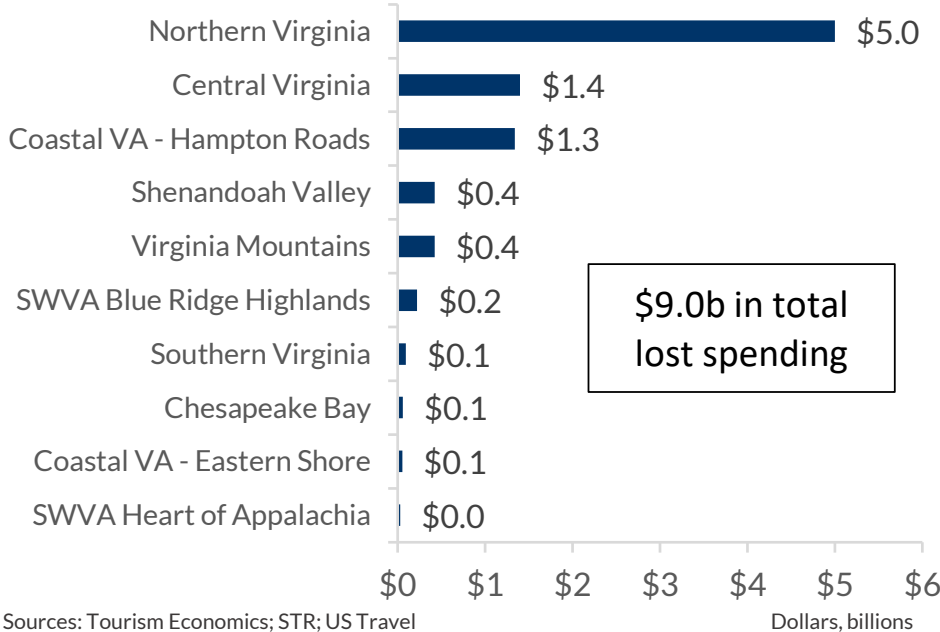
Sources: Tourism Economics; STR; US Travel

THE UPSIDE SCENARIO

Regional spending losses

55% of all losses occur in Northern Virginia.

Baseline COVID-19 related tourism spending losses in Virginia's region

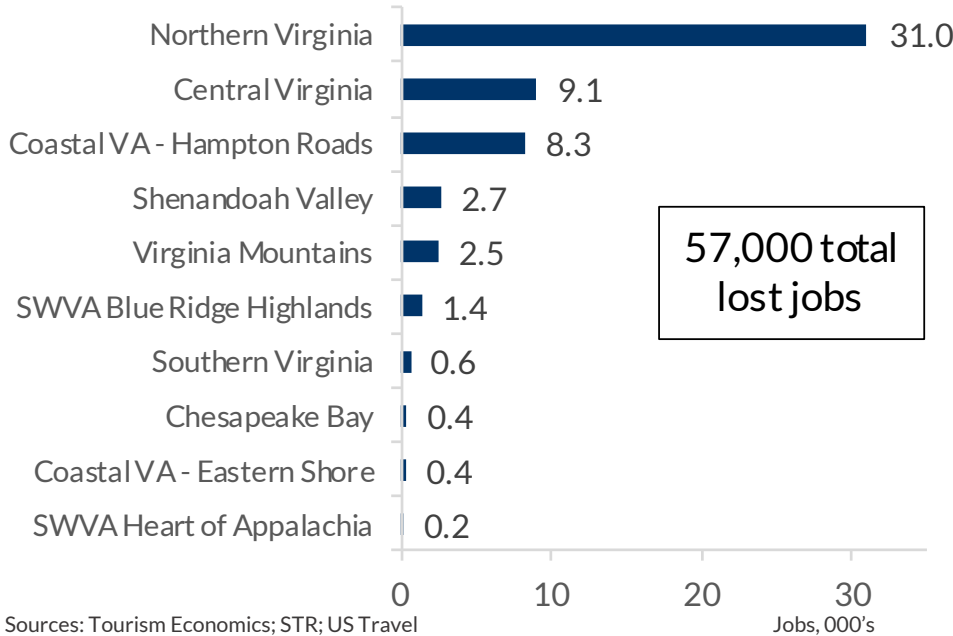


THE UPSIDE SCENARIO

Job losses

55% of all job losses occur in Northern Virginia.

Upside Scenario COVID-19 related tourism spending losses by region, 2020



THE UPSIDE SCENARIO

Room revenue

Room revenue losses amount to \$3.0 billion dollars in FYs 2020-2022.

Upside Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast				Losses			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2020	FY 2021	FY 2022
Central Virginia	\$728	\$431	\$594	\$651	--	\$297	\$134	\$76
Chesapeake Bay	\$21	\$18	\$21	\$21	--	\$3	\$1	\$0
Coastal VA - Eastern Shore	\$32	\$25	\$30	\$31	--	\$7	\$2	\$1
Coastal VA - Hampton Roads	\$893	\$590	\$798	\$848	--	\$302	\$94	\$44
Northern Virginia	\$1,796	\$788	\$1,363	\$1,555	--	\$1,009	\$433	\$241
Shenandoah Valley	\$217	\$140	\$193	\$204	--	\$77	\$24	\$13
Southern Virginia	\$69	\$54	\$64	\$65	--	\$15	\$5	\$3
SWVA Blue Ridge Highlands	\$146	\$93	\$122	\$132	--	\$53	\$25	\$14
SWVA Heart of Appalachia	\$21	\$17	\$20	\$20	--	\$4	\$1	\$1
Virginia Mountains	\$160	\$98	\$141	\$150	--	\$62	\$19	\$10
Virginia total	\$4,083	\$2,254	\$3,346	\$3,680	--	\$1,829	\$738	\$404

Sources: Tourism Economics; STR; US Travel

THE BASELINE SCENARIO

THE BASELINE SCENARIO

Summary data

Losses in 2020 amount to 37% of all spending or \$10.0 billion.

Baseline Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021	2022
Economic impacts			
Lost visitor spending, \$	\$9,965	\$5,122	\$2,912
Lost visitors spending, %	37%	19%	11%
Lost jobs	62,253	31,995	18,192
Lost wages	\$2,408	\$1,254	\$716
Lost state taxes	\$411	\$210	\$119
Lost local taxes	\$260	\$131	\$74
Hotel impacts			
Lost room demand (millions)	12.3	4.0	1.9
Lost room revenue	\$1,907	\$941	\$609

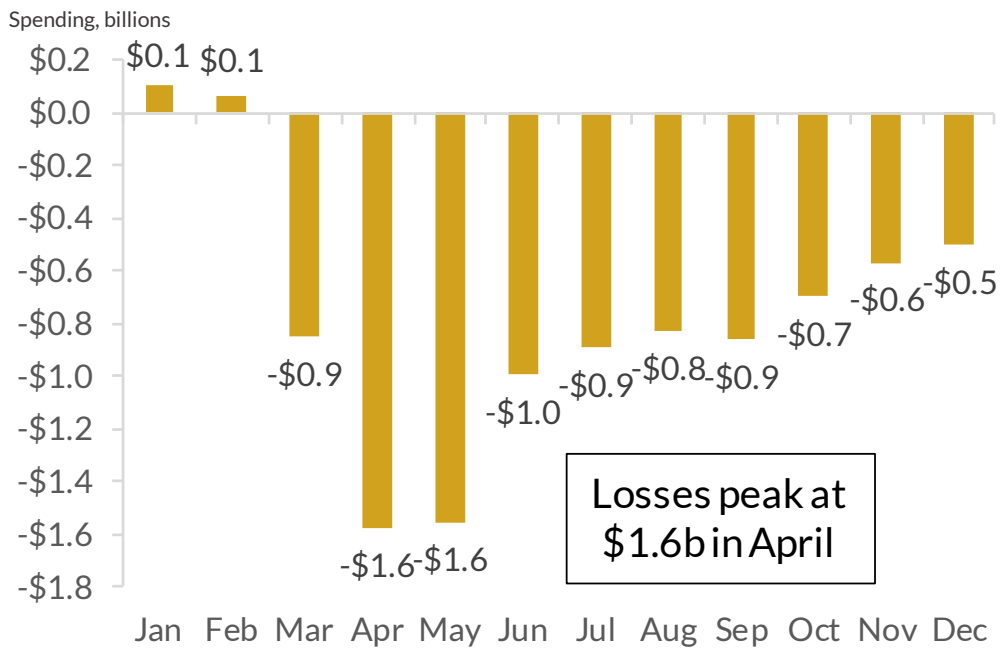
Sources: Tourism Economics; STR; US Travel

THE BASELINE SCENARIO

Monthly impacts

Dollar losses peak in April at \$1.6 billion for the month.

Baseline Scenario COVID-19 related tourism spending losses in Virginia, 2020



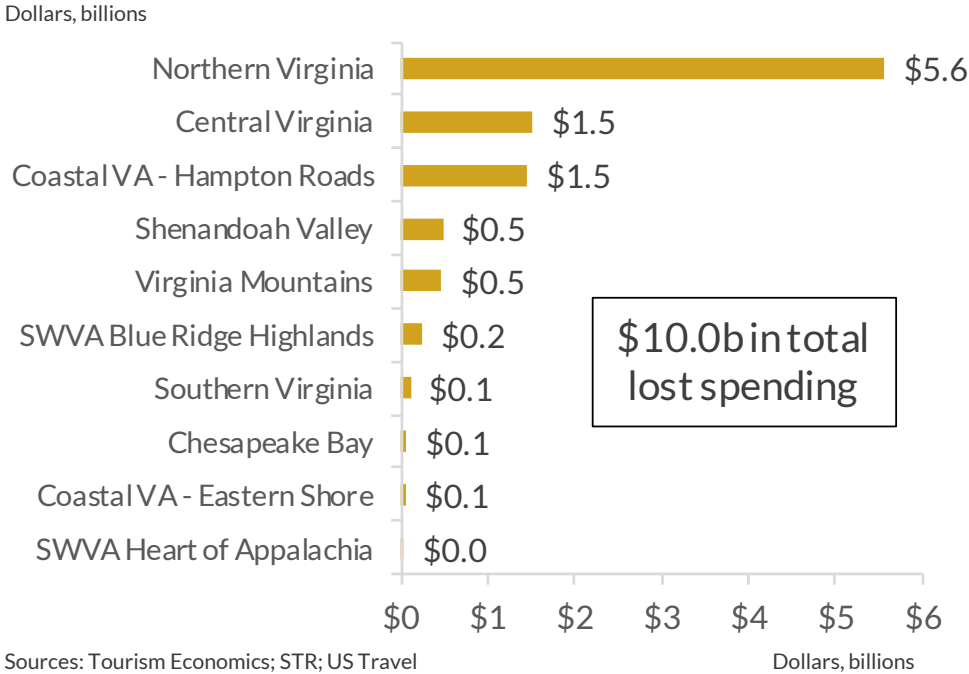
Sources: Tourism Economics; STR; USTravel

THE BASELINE SCENARIO

Regional spending losses

56% of all losses occur in Northern Virginia.

Baseline COVID-19 related tourism spending losses in Virginia's regions

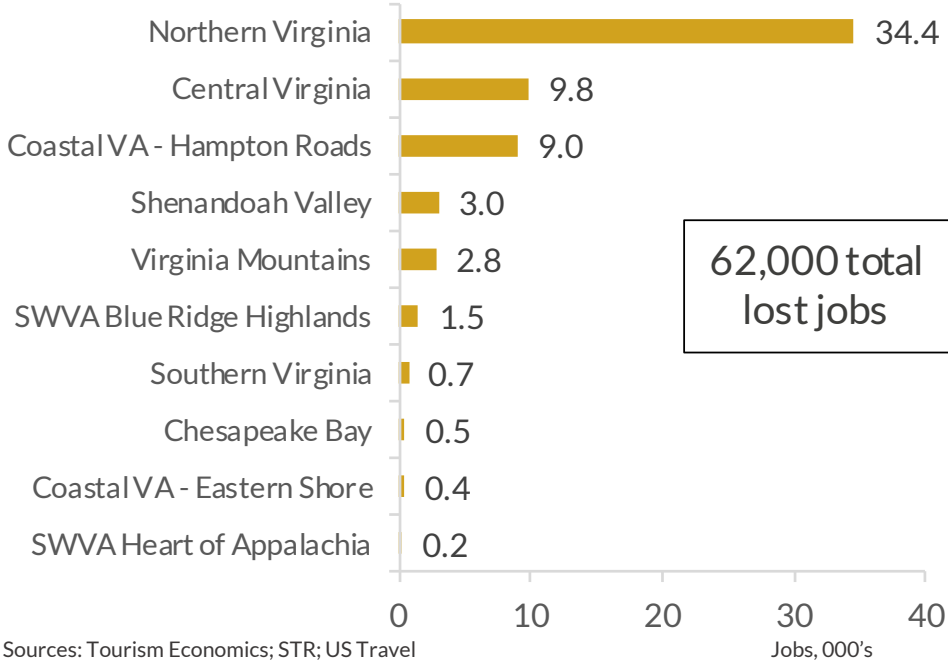


THE BASELINE SCENARIO

Regional job losses

55% of all losses occur in Northern Virginia.

Baseline Scenario COVID-19 related tourism spending losses by region, 2020



THE BASELINE SCENARIO

Room revenue

Room revenue losses amount to \$3.5 billion dollars in FYs 2020-2022.

Baseline Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast				Losses			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2020	FY 2021	FY 2022
Central Virginia	\$728	\$423	\$568	\$621	--	\$305	\$160	\$107
Chesapeake Bay	\$21	\$18	\$21	\$21	--	\$3	\$1	\$0
Coastal VA - Eastern Shore	\$32	\$25	\$30	\$31	--	\$8	\$3	\$1
Coastal VA - Hampton Roads	\$893	\$583	\$775	\$828	--	\$310	\$118	\$65
Northern Virginia	\$1,796	\$735	\$1,233	\$1,423	--	\$1,061	\$563	\$373
Shenandoah Valley	\$217	\$136	\$184	\$196	--	\$81	\$33	\$21
Southern Virginia	\$69	\$54	\$62	\$64	--	\$15	\$6	\$5
SWVA Blue Ridge Highlands	\$146	\$92	\$117	\$127	--	\$55	\$30	\$20
SWVA Heart of Appalachia	\$21	\$16	\$19	\$20	--	\$4	\$2	\$1
Virginia Mountains	\$160	\$95	\$135	\$144	--	\$65	\$25	\$16
Virginia total	\$4,083	\$2,176	\$3,143	\$3,474	--	\$1,907	\$941	\$609

Sources: Tourism Economics; STR; US Travel

THE DOWNSIDE SCENARIO

THE DOWNSIDE SCENARIO

Summary data

Losses in 2020 amount to 42% of all spending or \$10.9 billion.

Downside Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021	2022
Economic impacts			
Lost visitor spending, \$	\$10,883	\$7,797	\$5,248
Lost visitors spending, %	41%	29%	20%
Lost jobs	67,979	48,679	32,774
Lost wages	\$2,631	\$1,910	\$1,294
Lost state taxes	\$449	\$320	\$215
Lost local taxes	\$284	\$200	\$133
Hotel impacts			
Lost room demand (millions)	12.8	6.0	2.9
Lost room revenue	\$1,977	\$1,368	\$923

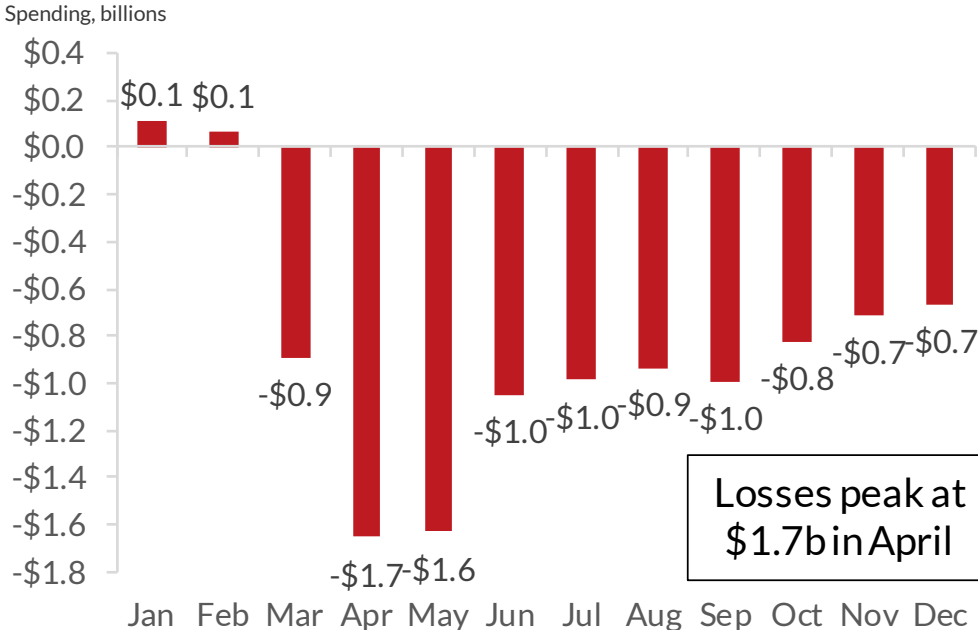
Sources: Tourism Economics; STR; US Travel

THE DOWNSIDE SCENARIO

Monthly impacts

Dollar losses peak in April at \$1.7 billion for the month.

Downside COVID-19 related tourism spending losses in Virginia, 2020



Losses peak at \$1.7b in April

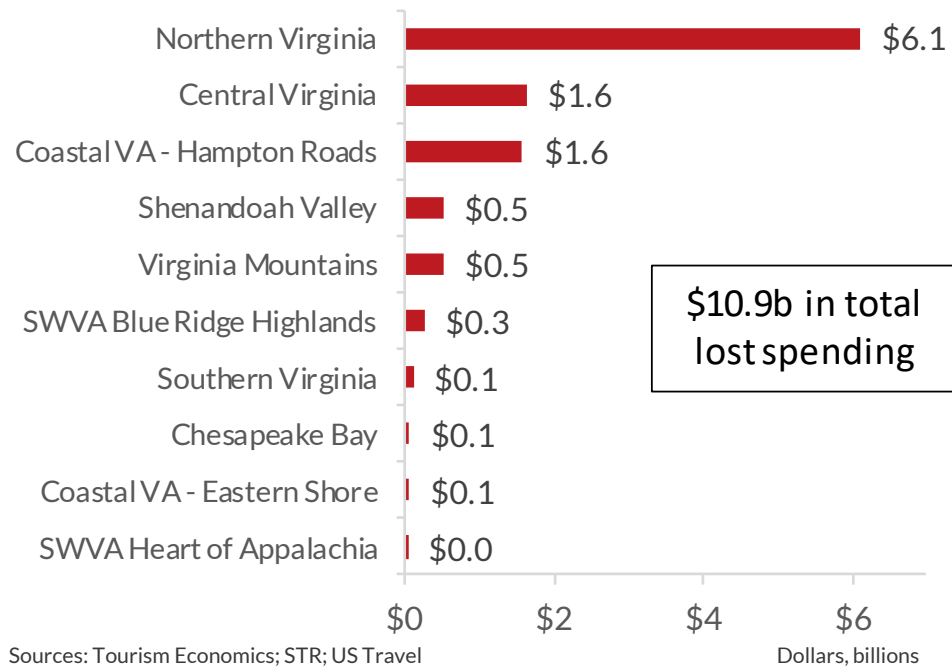
Sources: Tourism Economics; STR; US Travel

THE DOWNSIDE SCENARIO

Regional spending losses

56% of all losses occur in Northern Virginia.

Downside COVID-19 related tourism spending losses in Virginia's region

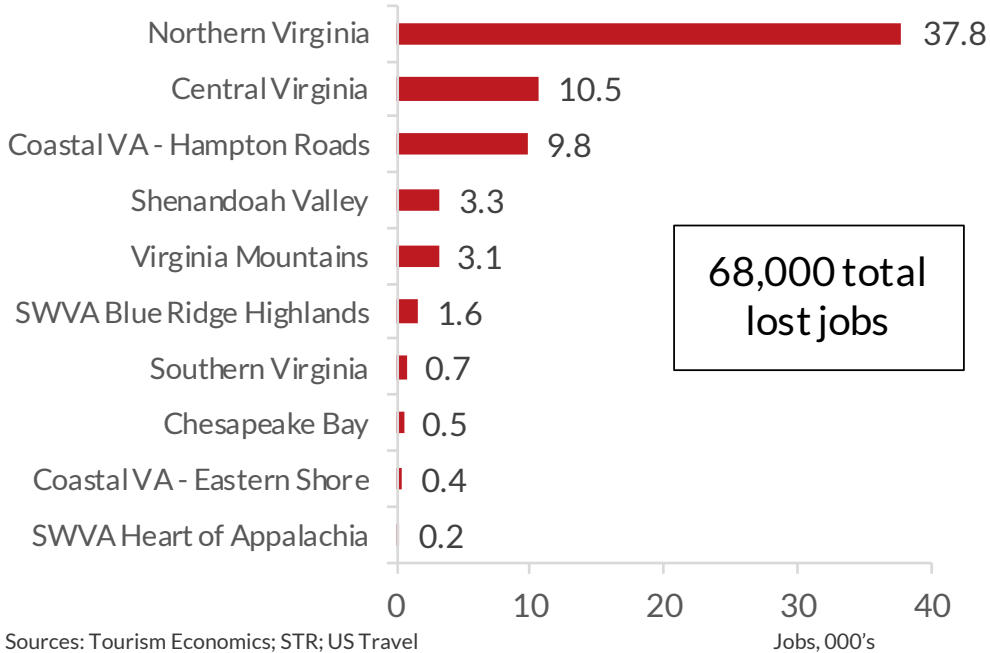


THE DOWNSIDE SCENARIO

Regional job losses

56% of all losses occur in Northern Virginia.

Downside Scenario COVID-19 related tourism spending losses by region, 2020



THE DOWNSIDE SCENARIO

Room revenue

Room revenue losses amount to \$4.3 billion dollars in FYs 2020-2022.

Downside Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast				Losses			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2020	FY 2021	FY 2022
Central Virginia	\$728	\$416	\$506	\$576	--	\$312	\$221	\$152
Chesapeake Bay	\$21	\$18	\$20	\$21	--	\$3	\$1	\$1
Coastal VA - Eastern Shore	\$32	\$24	\$28	\$30	--	\$8	\$4	\$2
Coastal VA - Hampton Roads	\$893	\$573	\$714	\$791	--	\$320	\$179	\$102
Northern Virginia	\$1,796	\$692	\$973	\$1,223	--	\$1,104	\$823	\$573
Shenandoah Valley	\$217	\$133	\$169	\$186	--	\$84	\$48	\$31
Southern Virginia	\$69	\$53	\$59	\$62	--	\$16	\$9	\$7
SWVA Blue Ridge Highlands	\$146	\$90	\$105	\$118	--	\$56	\$41	\$28
SWVA Heart of Appalachia	\$21	\$16	\$18	\$19	--	\$4	\$2	\$2
Virginia Mountains	\$160	\$91	\$122	\$136	--	\$69	\$38	\$24
Virginia total	\$4,083	\$2,107	\$2,715	\$3,161	--	\$1,977	\$1,368	\$923

Sources: Tourism Economics; STR; US Travel

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- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

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