

The Economic Impact of Tourism on Galveston Island, Texas

2017 Analysis



Prepared for:



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Headline Results



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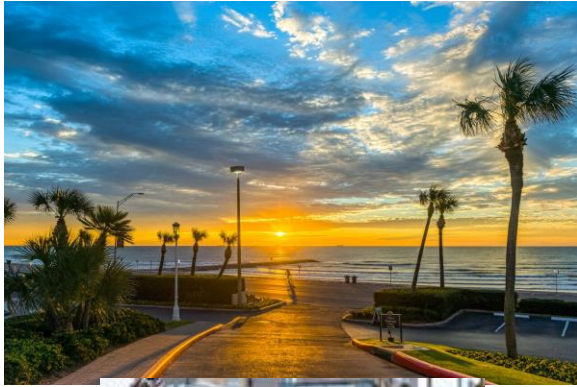
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Headline results

- Tourism is an integral part of the Galveston Island economy and continues to be a key driver of business sales, employment, and tax revenue.
- Visitors to Galveston Island spent \$833.7 million in 2017, which generated \$1.1 billion in total business sales, including indirect and induced impacts.
- Tourism on Galveston Island generated \$169.1 million in tax revenues in 2017, with \$82.8 million accruing to state and local governments.



Headline results



- A total of 11,419 jobs were sustained by visitors to Galveston Island in 2017. This included 8,824 direct and 2,595 indirect and induced jobs.
- Approximately 35.6% (1 in 3) of all jobs on the Island were sustained by tourism.
- Tourism-sustained jobs generated total income of \$303.2 million in 2017.

Key Trends in 2017



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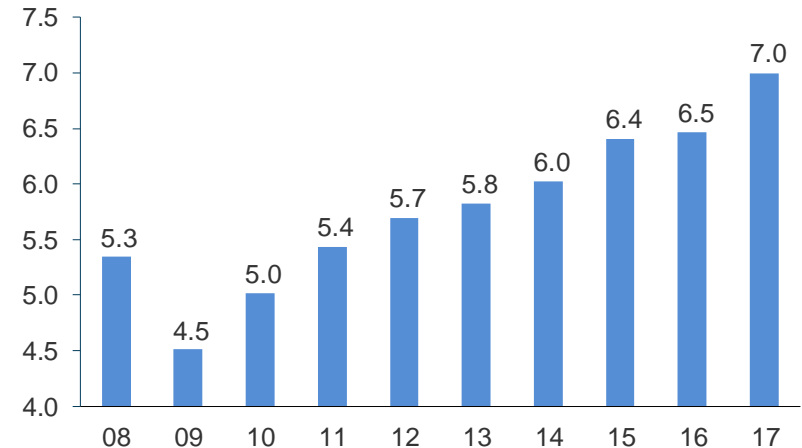
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Key trends in 2017

- Employment and income growth in Texas and Houston are outpacing that of the nation, and likely driving the tourism expansion on Galveston Island.
- Visitor volume increased 8.2% and lodging spending increased 11.0% in 2017. Visitor volume and lodging spending are 28.7% and 55.3%, respectively above the previous peaks in 2007.

Volume of Visitors to Galveston

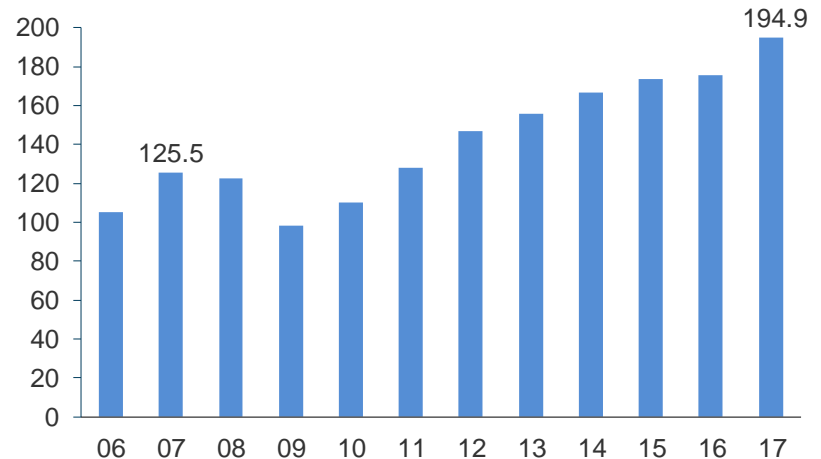
Millions, including day and overnight visitors



Source: Tourism Economics

Accommodations Spending in Galveston

\$ millions



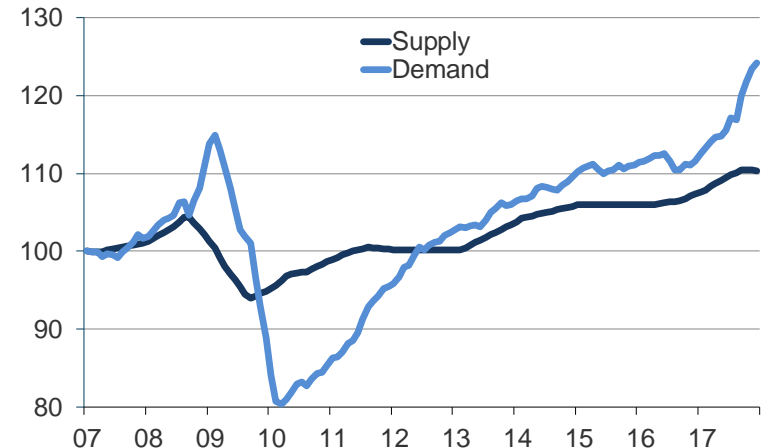
Sources: State of Texas Comptroller, Tourism Economics

Key trends in 2017

- Galveston Island's lodging market expanded robustly in 2017 after a flat 2016.
- Room-night demand increased sharply at 11.4% in 2017, far outpacing the 2.8% increase in supply.
- The occupancy rate increased 5.0 percentage points, to 65.7% in 2017 from 60.7% in 2016.
- Overall revenue growth tracked at 11.9%, with a small contribution of 0.5% boost in the average daily rate.

Demand Is Outpacing Supply in Galveston

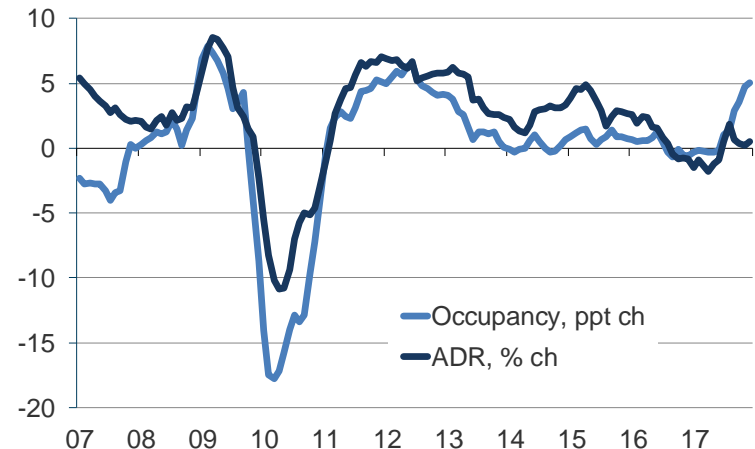
Room-nights, 12-mo moving sum, indexed to Jan 2007=100



Sources: STR, Tourism Economics

Average prices are still rising

12-mo moving sum, change from year ago



Sources: STR, Tourism Economics

Key trends in 2017

- Galveston Island's visitor volume expanded 8.2% in 2017, driven in part by expanding cruise visitors. The additional cruise visitors accounted for about a percentage point of the overall growth.
- After seven years of expansion, total visitor volume again reached a new peak in 2017 at just under 7.0 million visitors. The spending associated with these visitors also increased in 2017 and is driving significant local economic impacts.

Visitor Volume Trends								
Thousands								
	2010	2011	2012	2013	2014	2015	2016	2017
Cruise Passengers	435	459	604	605	642	837	877	934
<i>% change</i>	10.1	5.7	31.5	0.1	6.1	30.5	4.7	6.5
Total Visitors	5,020	5,437	5,697	5,823	6,026	6,409	6,466	6,998
<i>% change</i>	11.3	8.3	4.8	2.2	3.5	6.4	0.9	8.2

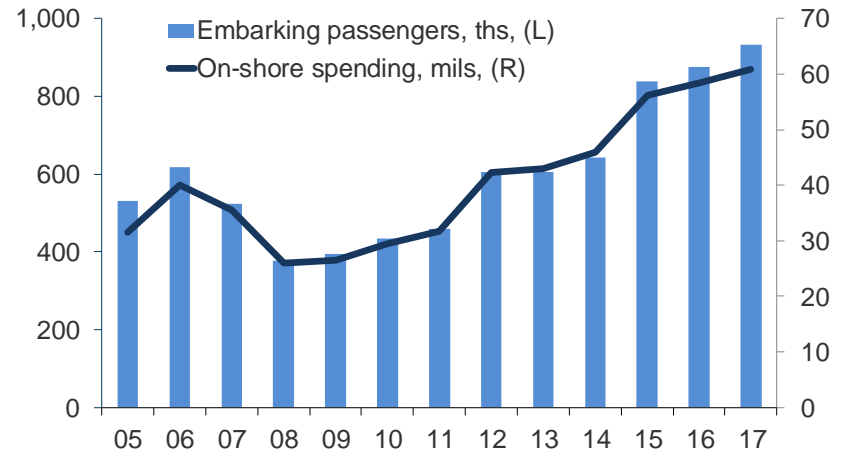
Sources: Port of Galveston, Tourism Economics

Key trends in 2017

- Cruise passengers increased 6.5% in 2017.
- At 934,000, embarkations are 51% higher than the 2006 peak of 617,000.
- The Port of Galveston maintains its ranking as the fourth largest home port in the US when measured by embarkations.
- Cruise activity generated \$60.8 million in passenger on-shore spending, and another \$19.3 million in services provided at the port in 2017.



Cruise Passengers and On-Shore Spending



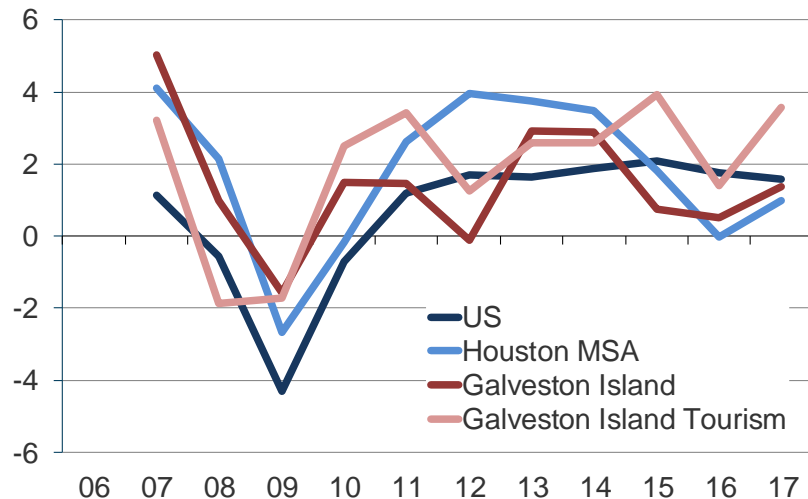
Sources: Port of Galveston, CLIA, Tourism Economics

Key trends in 2017

- Employment growth in Galveston Island's tourism industry is outpacing overall job growth on Galveston Island. Since the 2009 employment trough, tourism job growth amounts to 23.3%, compared to 11.8% for total employment on the Island.

Annual Employment Trends

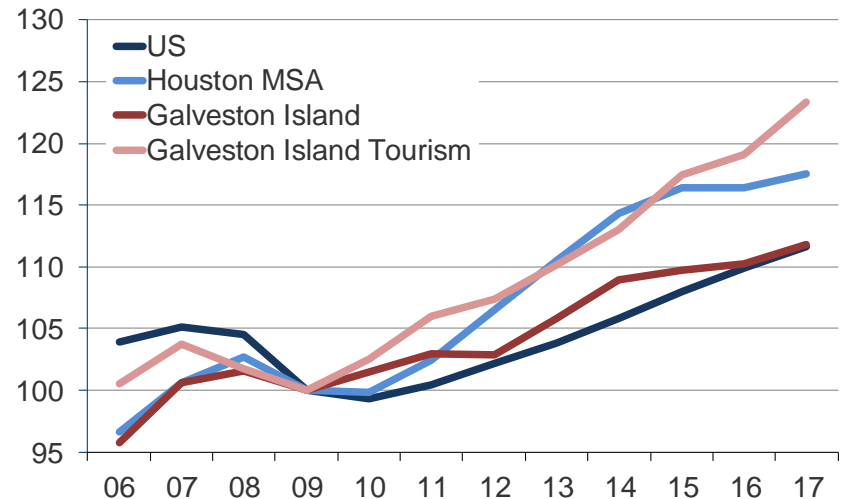
% change



Sources: BEA, BLS, Tourism Economics

Job Growth Since the Bottom

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

Visitor Spending



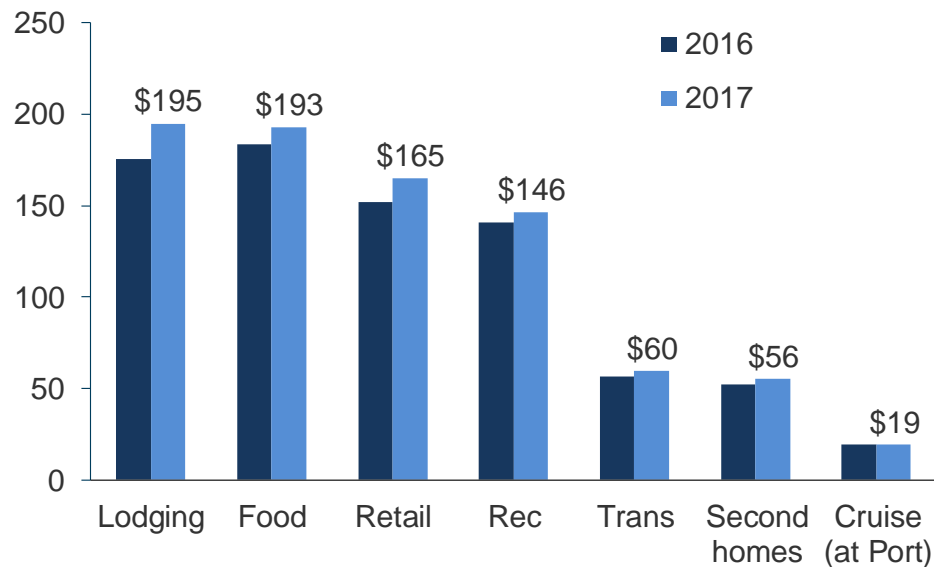
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Composition of visitor spending

Visitor Spending by Category

\$ millions



Source: Tourism Economics



- Visitors spent \$195 million on lodging, \$193 million on food and beverages, and \$165 million on retail shopping in 2017.
- The value of second home accommodations tallied \$56 million.
- Cruise-related spending at The Port of Galveston totaled \$19 million, including parking, ship fees, and water, porter, security, and utilities services. Cruise passengers' on-shore spending tallied \$60.8 million.

Composition of visitor spending

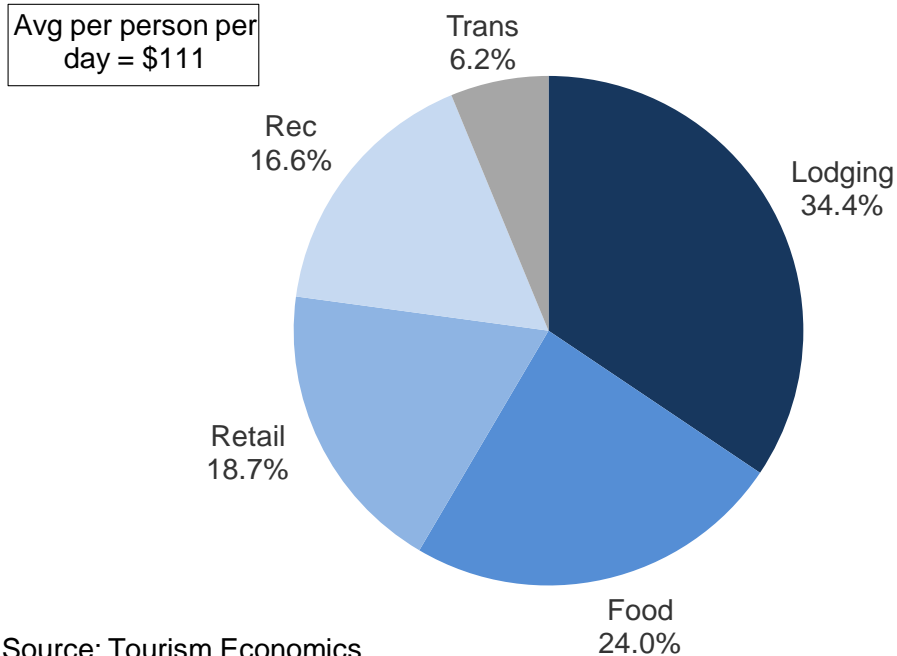
- Visitor spending increased 6.9% and reached a new peak in 2017.
- Growth in visitor spending was led by the lodging, retail, and food and beverage sectors.

Visitor Spending By Category						
(US\$ Million)						
	2013	2014	2015	2016	2017	2016-17 % ch
Lodging	155.7	166.7	173.9	175.7	194.9	11.0%
Food and Beverage	159.9	165.6	179.3	183.7	192.8	4.9%
Retail	132.8	140.7	151.6	151.8	165.1	8.8%
Recreation	123.0	130.4	138.9	140.8	146.3	3.9%
Transportation	60.1	60.6	58.6	56.7	59.8	5.5%
Second homes	43.7	46.0	45.6	52.0	55.5	6.8%
Cruise (at Port)	12.0	13.2	18.1	19.1	19.3	1.1%
Total	687.2	723.3	765.9	779.7	833.7	6.9%
<i>% change</i>	5.0%	5.3%	5.9%	1.8%	6.9%	

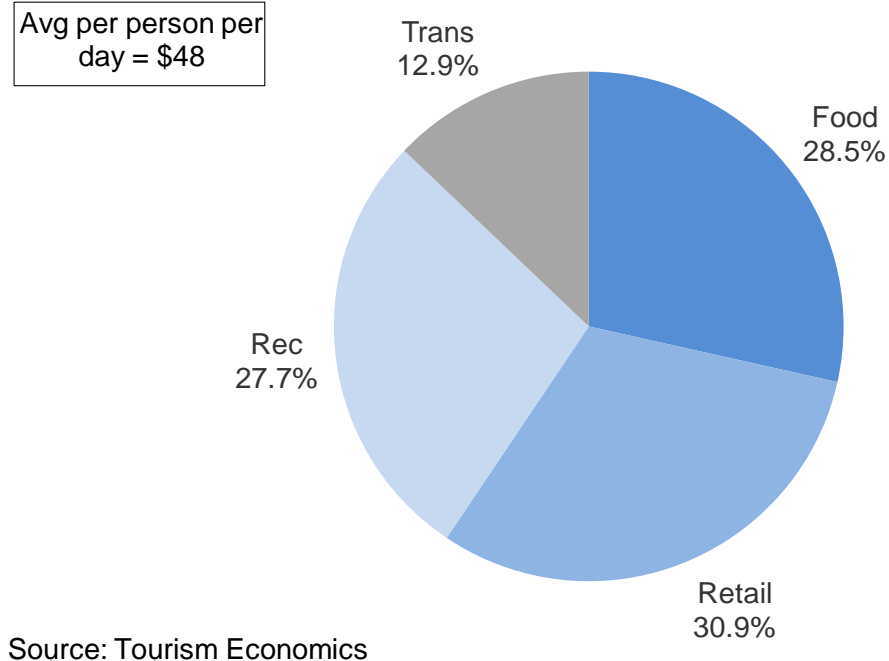
Visitor spending profiles

- Overnight visitors to Galveston spent \$111 per person per day, while day trippers spent \$48 per person per day. An estimated 60.2% of all visitors were day trippers.

Overnight Visitor Spending by Category



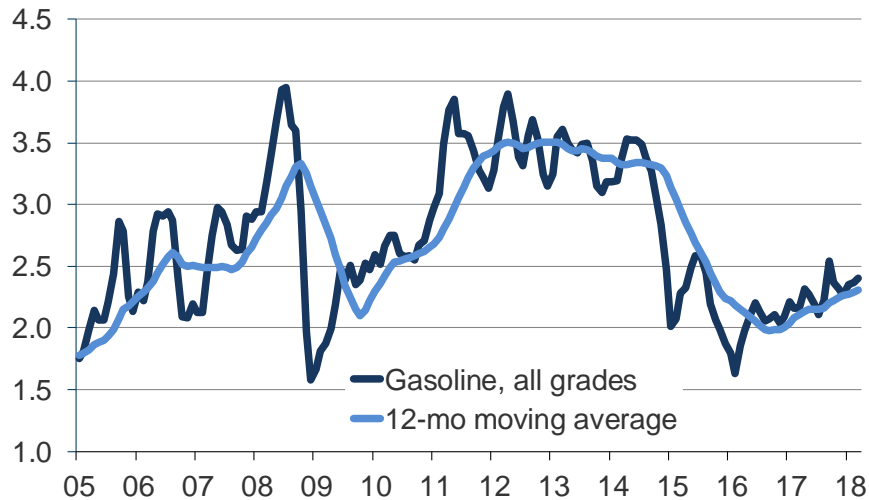
Day Visitor Spending by Category



Fuel prices have stabilized

Fuel Price Slide is Over

Houston gasoline price, dollars per gallon



Source: Energy Information Administration

- The three year slide in fuel prices has come to an end, although fuel prices have stabilized at relatively low levels.
- Low gas prices help to boost consumer confidence and encourage visitor spending.
- Oxford Economics forecasts oil prices to remain under \$65 per barrel through 2020, which implies a gas price in the Galveston area under \$2.75 per gallon for several more years.

Economic Impacts

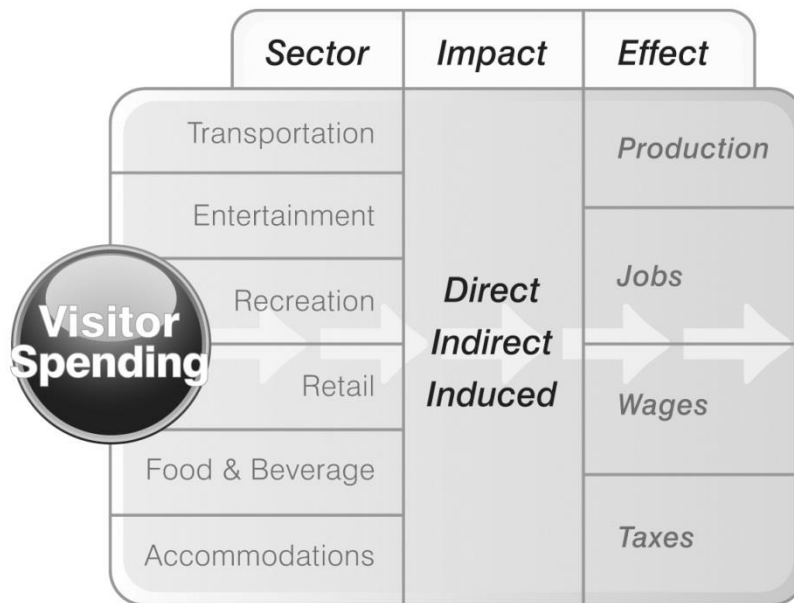


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How visitor spending generates impact

- **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 Galveston Island economy.

Tourism sales

- Including indirect and induced business sales, tourism generated \$1.1 billion in revenue in 2017.

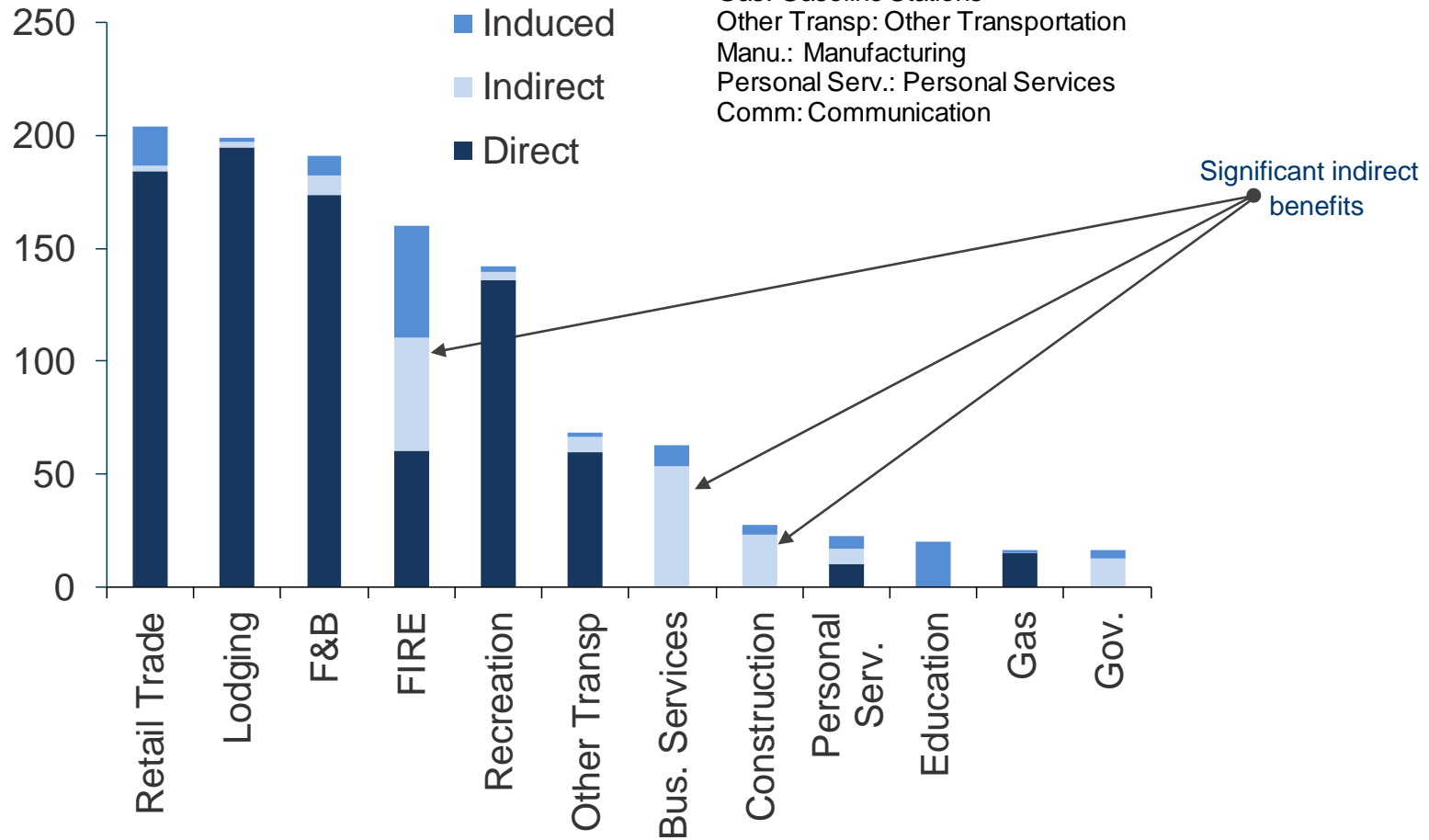
Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0.0	1.8	0.7	2.5
Construction and Utilities	0.0	22.9	4.7	27.6
Manufacturing	0.0	3.3	0.9	4.2
Wholesale Trade	0.0	3.7	5.3	9.0
Air Transport	0.0	0.8	1.0	1.7
Other Transport	59.4	6.9	1.8	68.0
Retail Trade	184.4	2.2	17.7	204.3
Gasoline Stations	14.9	0.1	1.3	16.3
Communications	0.0	8.7	2.9	11.6
Finance, Insurance and Real Estate	60.3	50.1	49.6	160.0
Business Services	0.0	53.7	8.9	62.6
Education and Health Care	0.0	0.2	19.5	19.7
Recreation and Entertainment	136.0	3.8	2.6	142.4
Lodging	194.9	2.3	1.6	198.8
Food & Beverage	173.5	9.0	8.2	190.7
Personal Services	10.2	6.7	5.8	22.7
Government	0.0	12.5	3.7	16.2
TOTAL	833.7	188.6	135.9	1,158.2
<i>Annual growth, % ch</i>	6.9	6.6	6.3	6.8

* Direct sales include cost of goods sold for retail sectors

Tourism sales

Tourism Sales by Industry

\$ million

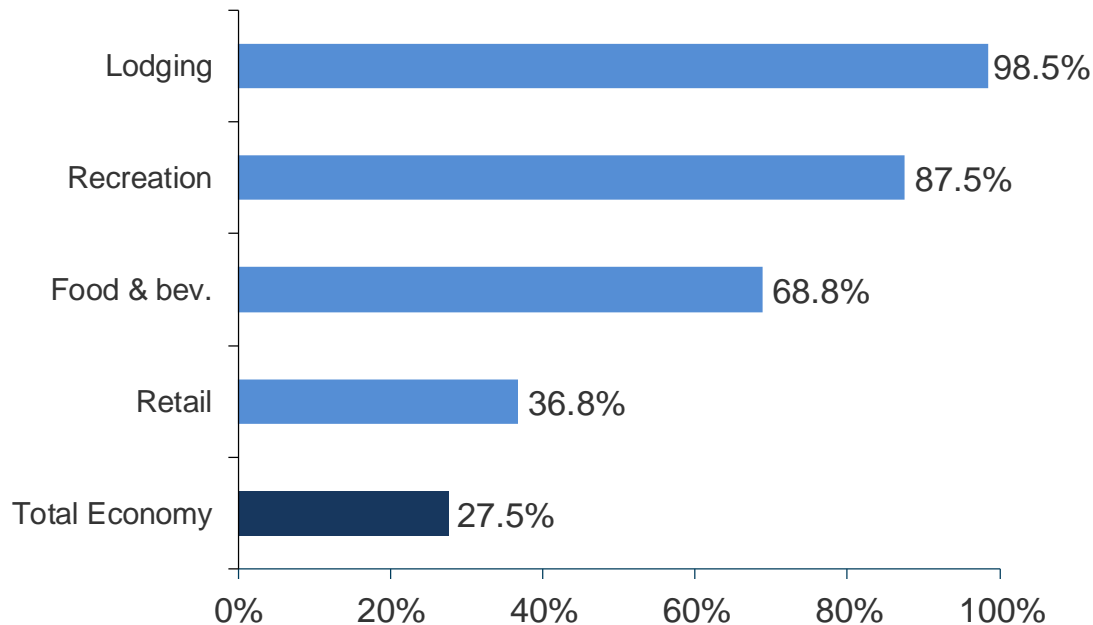


* Direct sales include cost of goods sold for retail

Tourism share of key industry employment

Tourism Employment Intensity by Industry

Direct jobs only



Source: Tourism Economics

- Tourism is a significant part of several industries – tourism directly supports nearly all employment in lodging, most of recreation, and nearly three-quarters of food and beverage employment.

Tourism employment details

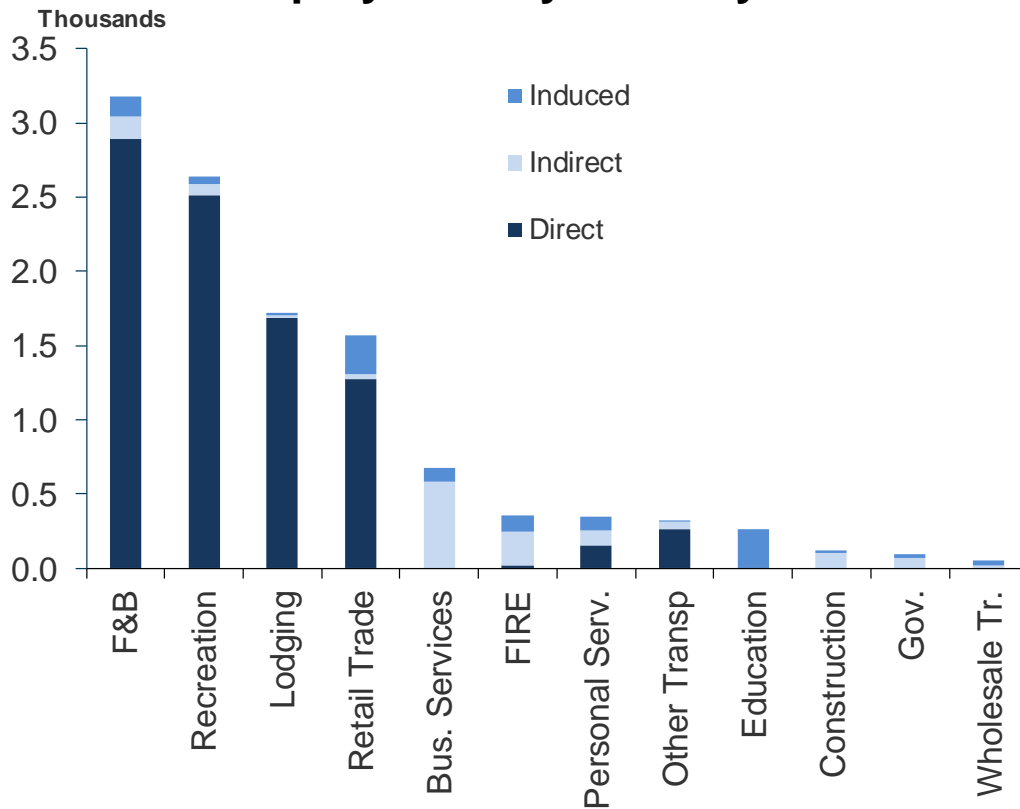
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0	4	2	6
Construction and Utilities	0	104	16	120
Manufacturing	0	11	2	13
Wholesale Trade	0	20	29	49
Air Transport	0	2	2	4
Other Transport	261	49	11	321
Retail Trade	1,276	34	259	1,569
Gasoline Stations	22	1	13	35
Communications	0	26	7	33
Finance, Insurance and Real Estate	20	224	115	358
Business Services	0	580	94	673
Education and Health Care	0	5	258	264
Recreation and Entertainment	2,510	81	48	2,639
Lodging	1,689	19	13	1,721
Food & Beverage	2,894	147	134	3,175
Personal Services	152	101	93	346
Government	0	74	19	92
TOTAL	8,824	1,480	1,115	11,419
<i>Annual growth, % ch</i>	3.6	4.1	3.9	3.7

- The tourism sector supported 11,419 jobs or 35.6% of employment (1-in-3 jobs) on Galveston Island in 2017, including indirect and induced impacts.

Tourism employment summary

- As a labor intensive collection of services, tourism-related sectors represent significant employment to Galveston Island.
- The more than 11,000 jobs supported by Galveston Island tourism span every sector of the economy, either directly or indirectly.
- The most significant indirect impacts come in business services and FIRE.

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
Gov.: Government

Tourism personal income

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0.0	0.4	0.2	0.7
Construction and Utilities	0.0	5.8	0.9	6.8
Manufacturing	0.0	0.5	0.1	0.6
Wholesale Trade	0.0	1.4	2.0	3.4
Air Transport	0.0	0.2	0.3	0.5
Other Transport	31.6	3.7	0.8	36.1
Retail Trade	27.4	0.9	7.3	31.2
Gasoline Stations	0.9	0.0	0.5	1.5
Communications	0.0	1.7	0.5	2.2
Finance, Insurance and Real Estate	1.4	7.8	4.3	13.5
Business Services	0.0	18.8	3.3	22.1
Education and Health Care	0.0	0.1	9.8	9.8
Recreation and Entertainment	34.4	1.2	0.6	36.2
Lodging	48.6	0.6	0.4	49.6
Food & Beverage	58.1	3.0	2.7	68.1
Personal Services	6.4	3.8	3.2	13.4
Government	0.0	6.3	1.4	7.7
TOTAL	208.8	56.3	38.2	303.2
<i>Annual growth, % ch</i>	5.7	5.9	5.7	5.7

- Workers on Galveston Island earned \$303.2 million as a result of visitor activity in 2017.

Tourism tax generation

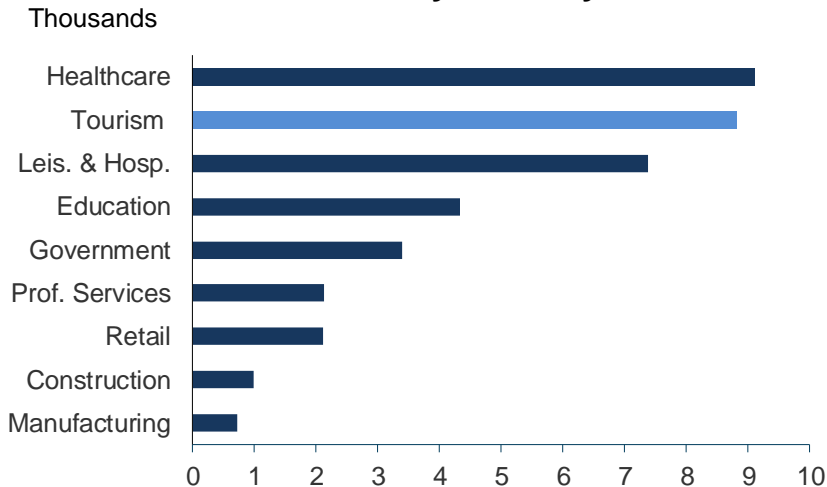
Tourism-Generated Tax Revenues			
(US\$ Millions)			
	2016	2017	% ch
Federal	81.6	86.3	5.8
Personal Income	20.8	22.0	5.7
Corporate	27.9	29.5	5.9
Indirect business	5.1	5.4	6.3
Social Security	27.8	29.3	5.7
State	33.5	36.0	7.4
Sales	21.4	22.7	6.3
Lodging	11.1	12.2	9.8
Social Security	1.1	1.1	5.7
Local	43.1	46.8	8.6
Sales	6.8	7.3	6.3
Lodging	16.6	18.2	9.8
Excise and Fees	1.9	2.0	5.7
Property	17.8	19.3	8.7
TOTAL	158.2	169.1	6.9

- Tourism generated \$169.1 million in taxes in 2017, 6.9% more than in 2016.
- Tourism-driven state and local tax proceeds of \$82.8 million helped offset the average household tax burden by \$4,035 per household.
- \$46.8 million in local taxes were generated by tourism in 2017.

Galveston Island tourism in context

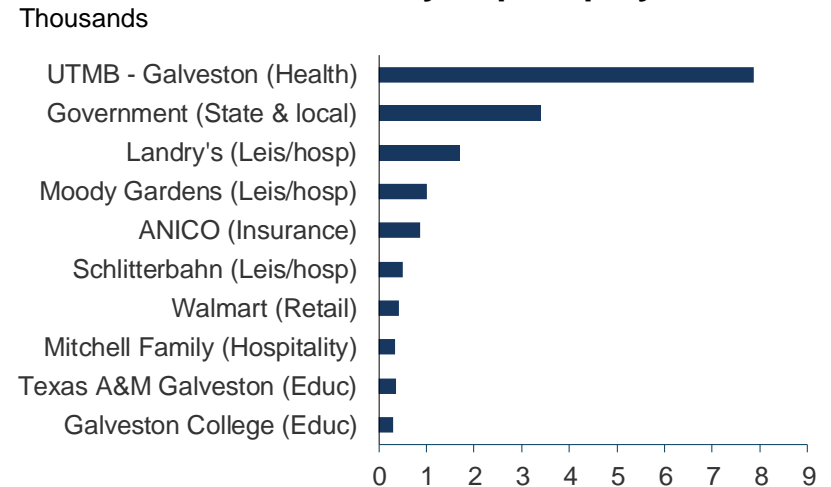
- Tourism jobs span across sectors and include many small businesses. Taken as an industry, tourism was the second largest employer on the Island in 2017.
- By establishment, key employers on the island are the University of Texas Medical Branch - Galveston, Landry's, Moody Gardens, and ANICO. Total employment was estimated as 32,035 in 2017.

Galveston Island Jobs by Industry



Sources: Census, IMPLAN data, Tourism Economics

Galveston Island Jobs by Top Employers



Sources: GEDP Investor Profiles 2017, Tourism Economics

Galveston Island tourism in context

- Tourism-generated tax revenues, not including hotel occupancy tax revenues, tallied \$25.5 million in 2017.
- This accounted for 48.5% of the City of Galveston's General Fund revenues, based on an estimated calendar year 2017 budget of \$52.5 million.
- Tourism-generated revenues would be sufficient to fund:
 - Police (\$17.6 million) 1.6 times over
 - Fire (\$10.4 million) 2.5 times over
 - Public works (\$3.8 million) 6.8 times over
 - Parks and rec (\$2.7 million) 9.4 times over

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 country's national accounts 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 Galveston were based on several sources including:
 - Smith Travel Research (STR) and Source Strategies data on room demand, supply and hotel revenues.
 - City tax data on hotel occupancy receipts and sales tax receipts by industry.
 - Visitor profile and spending reports produced by the Texas Office of the Governor, Economic Development and Tourism Division.
 - A tourism economic impact analysis completed for Galveston Island in 2008.
 - An economic impact analysis of cruise passengers completed by the Cruise Lines International Association (CLIA) in 2017.
 - Port of Galveston cruise passenger and port revenues data.
 - Recreational second home expenditures based on US Census data.
- An IMPLAN model was compiled for Galveston Island consisting of three zip code areas. This 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-checks these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges.
- Employment and wage data were obtained from the Bureau of Labor Statistics, the Bureau of Economics Analysis, and the US Census Bureau.
- Fuel prices were obtained from the Energy Information Administration (EIA).

Description of spending categories

Spend Category	Description
Lodging	Includes visitor spending in accommodation sector. This includes food and other services provided by hotels and similar establishments.
Recreation	Includes visitors spending within the arts, entertainment and recreation supersector.
Local transport	Includes all forms of local transport services such as taxis, limos, trains, rental cars, and buses.
Shopping	Includes visitor spending in all retail sectors within the Galveston Island economy.
Service stations	Visitor spending on gasoline. Only the margin counts as local economic impact.
Second homes	Spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Department.
Food and beverage	Includes all visitor spending at restaurants and bars.



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