



Myrtle Beach's Impressive Recovery and Future Waters?

December 2022

- 1** Myrtle Beach lodging forecast
- 2** Are we headed for a recession?
- 3** How does this usually work?
- 4** Is this time different?

Forecast assumptions

Virus and travel assumptions

Virus	<ul style="list-style-type: none">• It is assumed that Covid-19 recedes as a major cause of death. Forecast assumes no future variants that cause substantial, national shifts in travel behavior, though such variants are a possibility.
International	<ul style="list-style-type: none">• Progressive increases in international inbound travel.
Business travel	<ul style="list-style-type: none">• Corporate travel normalizes progressively through 2023 as travel policies and budgets are revised. Weak economic conditions result in some travel cost containment.
Leisure travel	<ul style="list-style-type: none">• On balance, leisure continues to be supported by financial stability among higher-income households and labor markets that remain favorable, though weaker than in 2022.
Group travel	<ul style="list-style-type: none">• Group demand improves steadily but remains below 2019 levels due to factors such as continued risk aversion, and lags in booking.

Annual Forecast Summary Table: Myrtle Beach Visitor Economy

Visitor spending	2019	2020	2021	2022	2023
Level (millions)	\$11,129	\$6,777	\$13,374	\$15,679	\$16,098
% change	--	-39.1%	97.3%	17.2%	2.7%
Relative to 2019 (2019 = 100)	100	61	120	141	145
Lodging sector KPIs	2019	2020	2021	2022	2023
Level					
Supply (thousands)	14,880	15,556	15,849	15,773	15,941
Demand (thousands)	7,875	6,161	9,422	9,388	9,524
Occupancy rate	53%	40%	59%	60%	60%
ADR	\$136	\$122	\$159	\$174	\$175
RevPAR	\$72	\$48	\$95	\$103	\$105
Accommodation revenue (millions)	\$1,074	\$754	\$1,500	\$1,629	\$1,671
% change					
Supply	--	4.5%	1.9%	-0.5%	1.1%
Demand	--	-21.8%	52.9%	-0.4%	1.4%
Occupancy rate	--	-25.2%	50.1%	0.1%	0.4%
ADR	--	-10.3%	30.1%	9.0%	1.1%
RevPAR	--	-32.8%	95.3%	9.1%	1.5%
Accommodation revenue	--	-29.8%	98.9%	8.6%	2.6%
Relative to 2019 (2019 = 100)					
Supply	100	105	107	106	107
Demand	100	78	120	119	121
Occupancy rate	100	75	112	112	113
ADR	100	90	117	127	129
RevPAR	100	67	131	143	145
Accommodation revenue	100	70	140	152	156
Lodging tax					
Tourism development tax collection (millions)	\$31.9	\$27.5	\$40.0	\$43.1	\$48.4
Change in TDT, %	--	-13.9%	45.6%	7.7%	12.3%
2019 = 100	100	86	125	135	152
Monthly 1.5% hospitality fee (millions)	\$26.9	\$9.7	\$29.6	\$40.3	\$41.4
Change in hospitality fee, %	--	-63.9%	204.6%	36.1%	2.7%
2019 = 100	100	36	110	150	154
State accommodations tax 2% (millions)	\$22.7	\$16.8	\$31.6	\$33.1	\$34.0
Change in state accommodation tax, %	--	-25.8%	87.9%	4.7%	2.7%
2019 = 100	100	74	139	146	150

Quarterly Forecast Summary Table: Myrtle Beach Visitor Economy

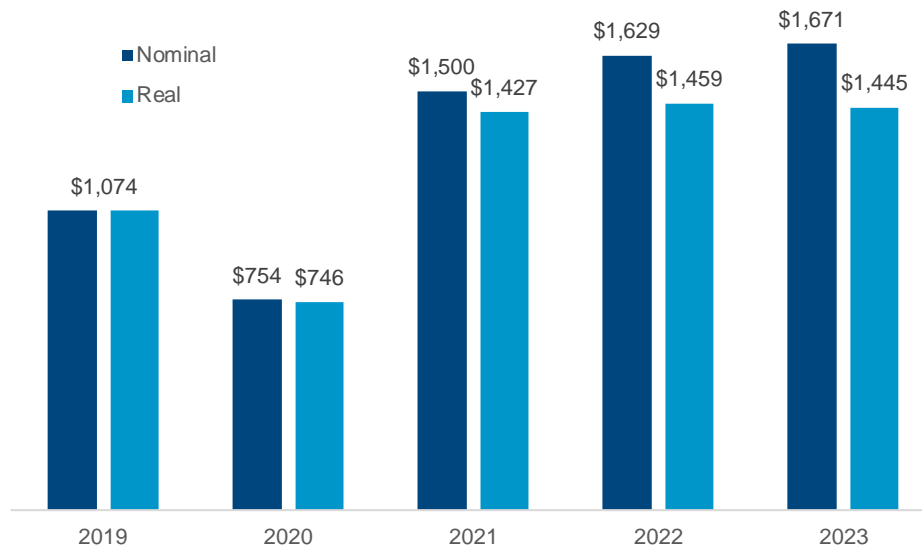
Visitor spending		Jan-19	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23
Level (millions)		\$1,665	\$3,444	\$4,178	\$1,843	\$1,171	\$1,596	\$2,660	\$1,350	\$1,647	\$4,108	\$5,185	\$2,433	\$2,066	\$4,864	\$5,866	\$2,883	\$2,157	\$4,983	\$6,020	\$2,937
% change		--	--	--	--	-30%	-54%	-36%	-27%	41%	157%	95%	80%	25%	18%	13%	18%	4%	2%	3%	2%
Relative to 2019 (2019 = 100)		100	100	100	100	70	46	64	73	99	119	124	132	124	141	140	156	130	145	144	159
Lodging sector KPIs		Jan-19	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23
Level																					
Supply (thousands)		3,623	3,694	3,766	3,797	3,838	3,665	3,937	4,116	4,004	3,969	3,936	3,940	3,885	3,935	3,970	3,983	3,909	3,966	4,025	4,041
Demand (thousands)		1,618	2,381	2,491	1,385	1,373	1,462	2,035	1,290	1,687	2,880	2,996	1,859	1,927	2,707	2,901	1,852	1,952	2,742	2,949	1,881
Occupancy rate		45%	64%	66%	36%	36%	40%	52%	31%	42%	73%	76%	47%	50%	69%	73%	47%	50%	69%	73%	47%
ADR		\$84	\$162	\$175	\$83	\$70	\$158	\$160	\$79	\$82	\$187	\$214	\$98	\$97	\$219	\$226	\$106	\$99	\$221	\$228	\$106
RevPAR		\$38	\$105	\$116	\$30	\$25	\$63	\$83	\$25	\$34	\$136	\$163	\$46	\$48	\$150	\$165	\$49	\$50	\$153	\$167	\$49
Accommodation revenue (millions)		\$137	\$386	\$436	\$115	\$96	\$231	\$325	\$102	\$138	\$538	\$642	\$182	\$187	\$592	\$655	\$196	\$194	\$606	\$671	\$199
% change																					
Supply		--	--	--	--	6%	-1%	5%	8%	4%	8%	0%	-4%	-3%	-1%	1%	1%	1%	1%	1%	1%
Demand		--	--	--	--	-15%	-39%	-18%	-7%	23%	97%	47%	44%	14%	-6%	-3%	0%	1%	1%	2%	2%
Occupancy rate		--	--	--	--	-20%	-38%	-22%	-14%	18%	82%	47%	51%	18%	-5%	-4%	-1%	1%	1%	0%	0%
ADR		--	--	--	--	-17%	-3%	-9%	-5%	17%	18%	34%	24%	19%	17%	5%	8%	3%	1%	1%	0%
RevPAR		--	--	--	--	-34%	-40%	-29%	-18%	38%	115%	98%	87%	40%	11%	1%	6%	3%	2%	1%	0%
Accommodation revenue		--	--	--	--	-30%	-40%	-25%	-12%	43%	133%	97%	79%	36%	10%	2%	7%	4%	2%	3%	2%
Relative to 2019 (2019 = 100)																					
Supply		100	100	100	100	106	99	105	108	111	107	105	104	107	107	105	105	108	107	107	106
Demand		100	100	100	100	85	61	82	93	104	121	120	134	119	114	116	134	121	115	118	136
Occupancy rate		100	100	100	100	80	62	78	86	94	113	115	129	111	107	110	127	112	107	111	128
ADR		100	100	100	100	83	97	91	95	97	115	122	118	115	135	129	127	118	136	130	127
RevPAR		100	100	100	100	66	60	71	82	91	130	141	152	128	144	142	162	132	146	144	162
Accommodation revenue		100	100	100	100	70	60	75	88	101	139	147	158	137	153	150	170	142	157	154	173
Lodging tax		Jan-19	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23
TDT collection (millions)		\$5.7	\$8.3	\$11.3	\$6.7	\$6.0	\$5.2	\$9.1	\$7.2	\$6.3	\$10.5	\$14.2	\$9.0	\$7.7	\$11.4	\$15.1	\$8.8	\$9.9	\$15.9	\$14.7	\$7.9
Change in TDT, %		--	--	--	--	5%	-37%	-20%	8%	6%	102%	56%	24%	22%	9%	7%	-2%	29%	39%	-3%	-10%
2019 = 100		100	100	100	100	105	63	80	108	112	127	125	134	137	138	134	132	176	192	130	118
Monthly 1.5% hospitality fee (millions)		\$6.4	\$13.6	\$4.7	\$2.2	\$1.7	\$2.4	\$3.5	\$2.1	\$2.2	\$4.8	\$16.3	\$6.3	\$5.3	\$12.5	\$15.1	\$7.4	\$5.5	\$12.8	\$15.5	\$7.5
Change in hospitality fee, %		--	--	--	--	-74%	-82%	-26%	-5%	33%	98%	369%	193%	140%	159%	-8%	18%	4%	2%	3%	2%
2019 = 100		100	100	100	100	26	18	74	95	35	35	348	279	83	92	322	331	87	94	330	337
State accommodations tax 2% (millions)		\$2.5	\$7.9	\$9.6	\$2.7	\$1.9	\$4.9	\$7.4	\$2.7	\$3.1	\$11.2	\$13.9	\$3.5	\$3.9	\$11.4	\$13.9	\$4.0	\$4.1	\$12.1	\$13.7	\$4.1
Change in state accommodation tax, %		--	--	--	--	-25%	-38%	-23%	-1%	61%	129%	88%	32%	27%	2%	0%	13%	4%	6%	-1%	4%
2019 = 100		100	100	100	100	75	62	77	99	120	141	145	131	153	144	145	148	159	154	143	154

Sources: Tourism Economics; STR; Key Data; MBAC

Annual accommodation revenue

Accommodation revenue in Myrtle Beach

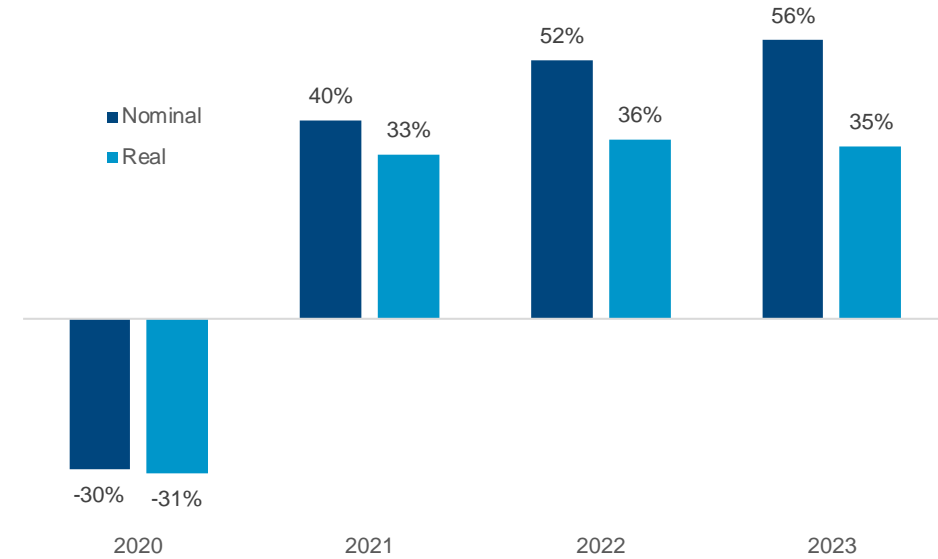
\$ millions



Sources: Tourism Economics; STR; Key Data; MBAC

Accommodation revenue changes in Myrtle Beach

Percent of total accommodation revenue compared to 2019

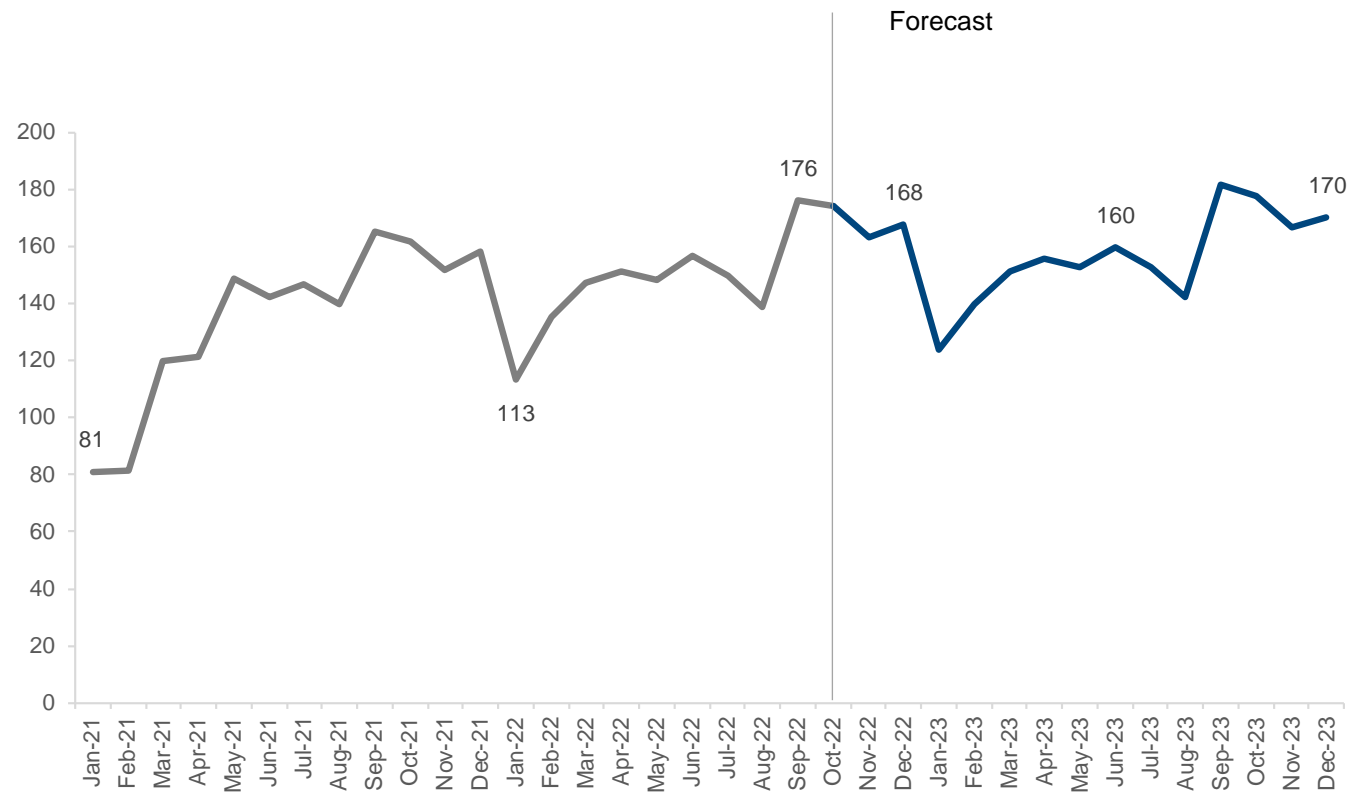


Sources: Tourism Economics; STR; Key Data; MBAC

Monthly accommodation revenues are holding above 2019 levels

Change in accommodation revenue in Myrtle Beach

Percent relative to 2019, 2019 = 100

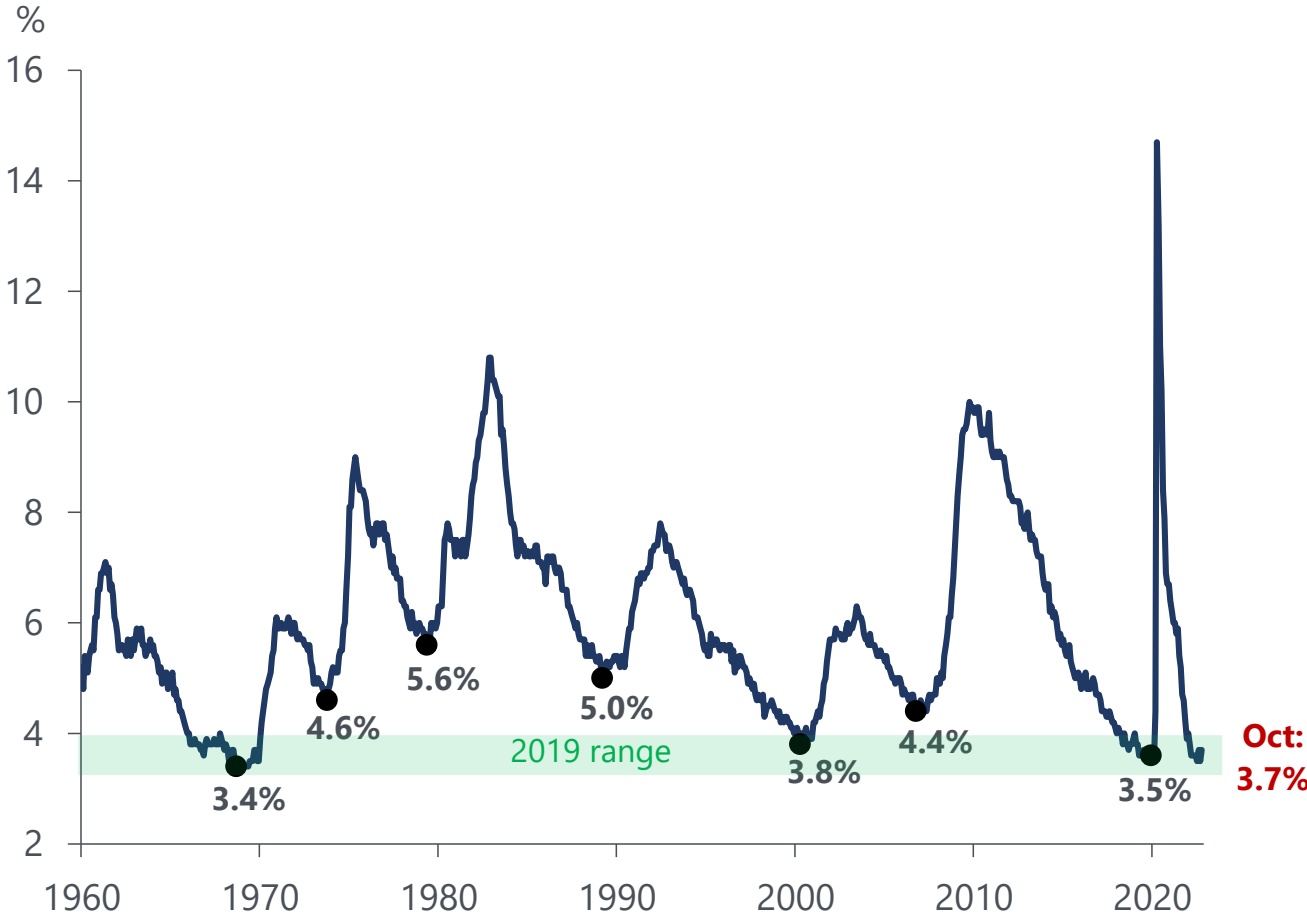


Sources: Tourism Economics; STR; Key Data; MBAC

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Unemployment rate remains historically low

US: U-3 unemployment rate

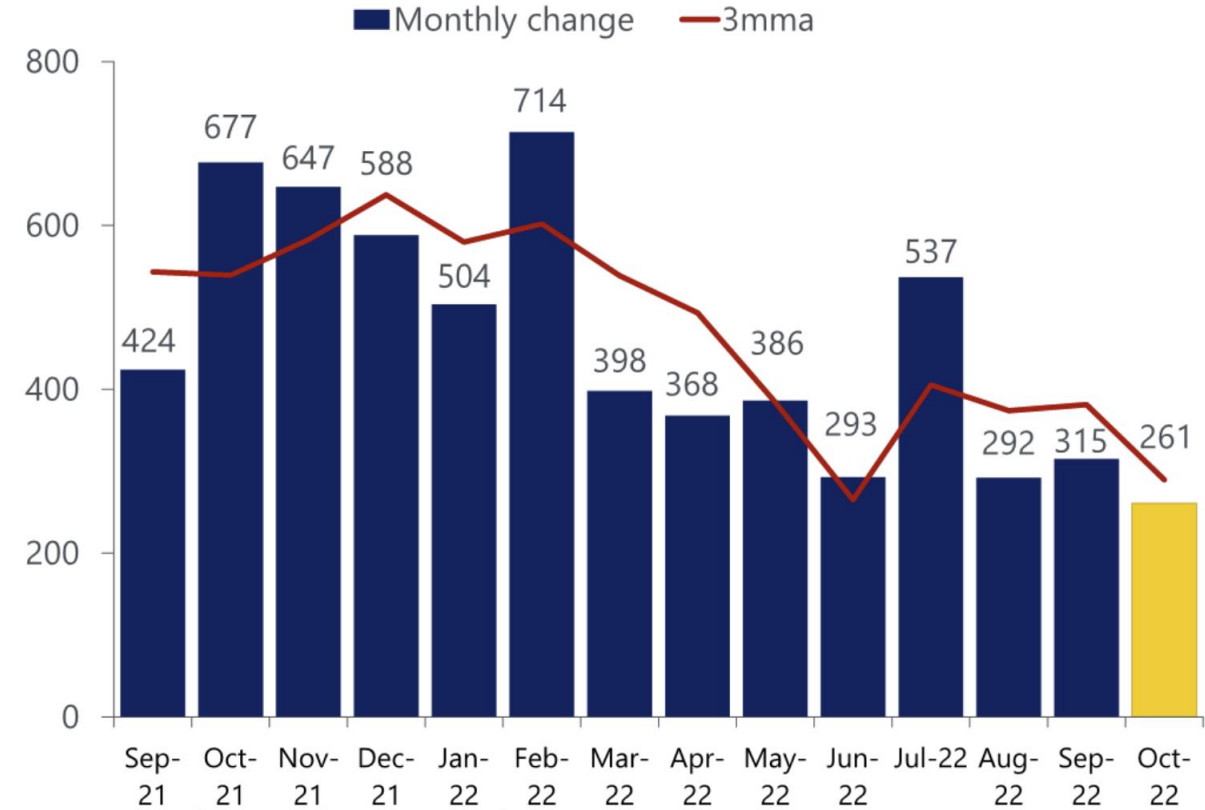


Source: Oxford Economics/Haver Analytics

Job growth continues at a more tempered pace

US: Nonfarm payroll employment

Thousand

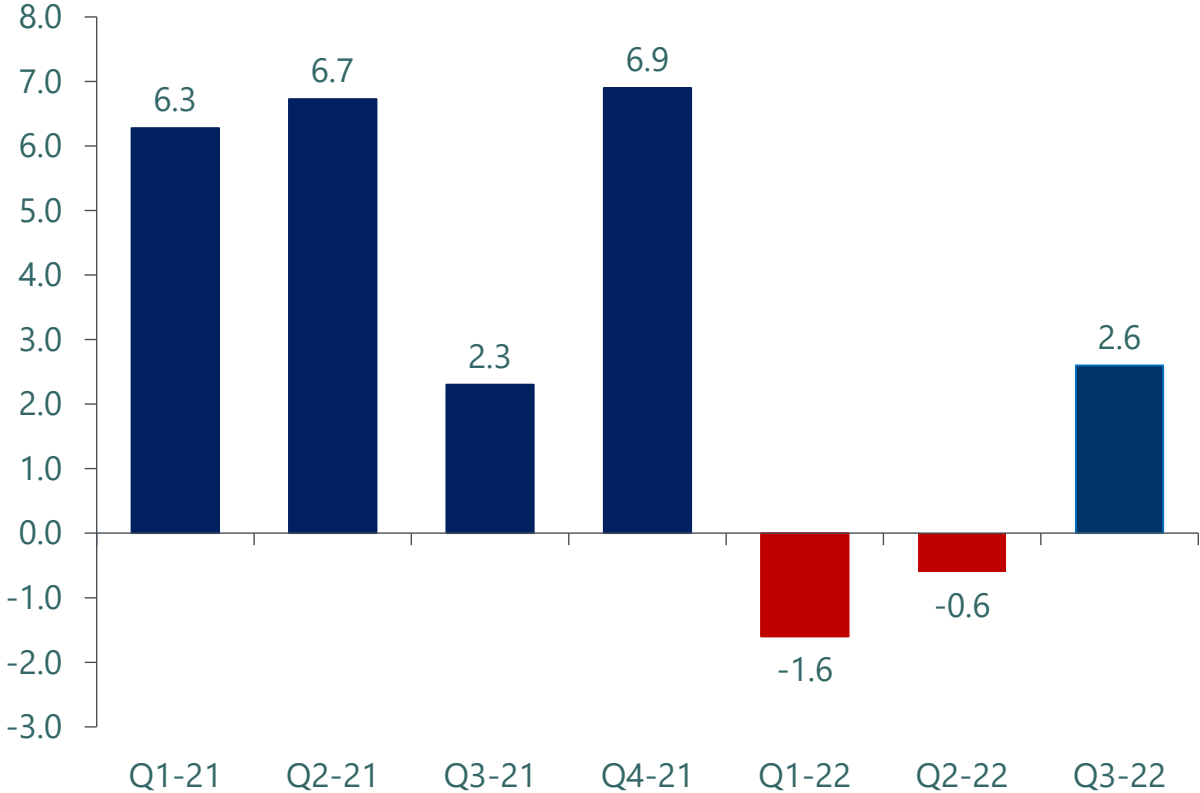


Source: Oxford Economics/Haver Analytics

While job growth remains high, it is tapering off and reflects the cooling economy

The US economy resumed growth in the third quarter

US real GDP growth, % annualized

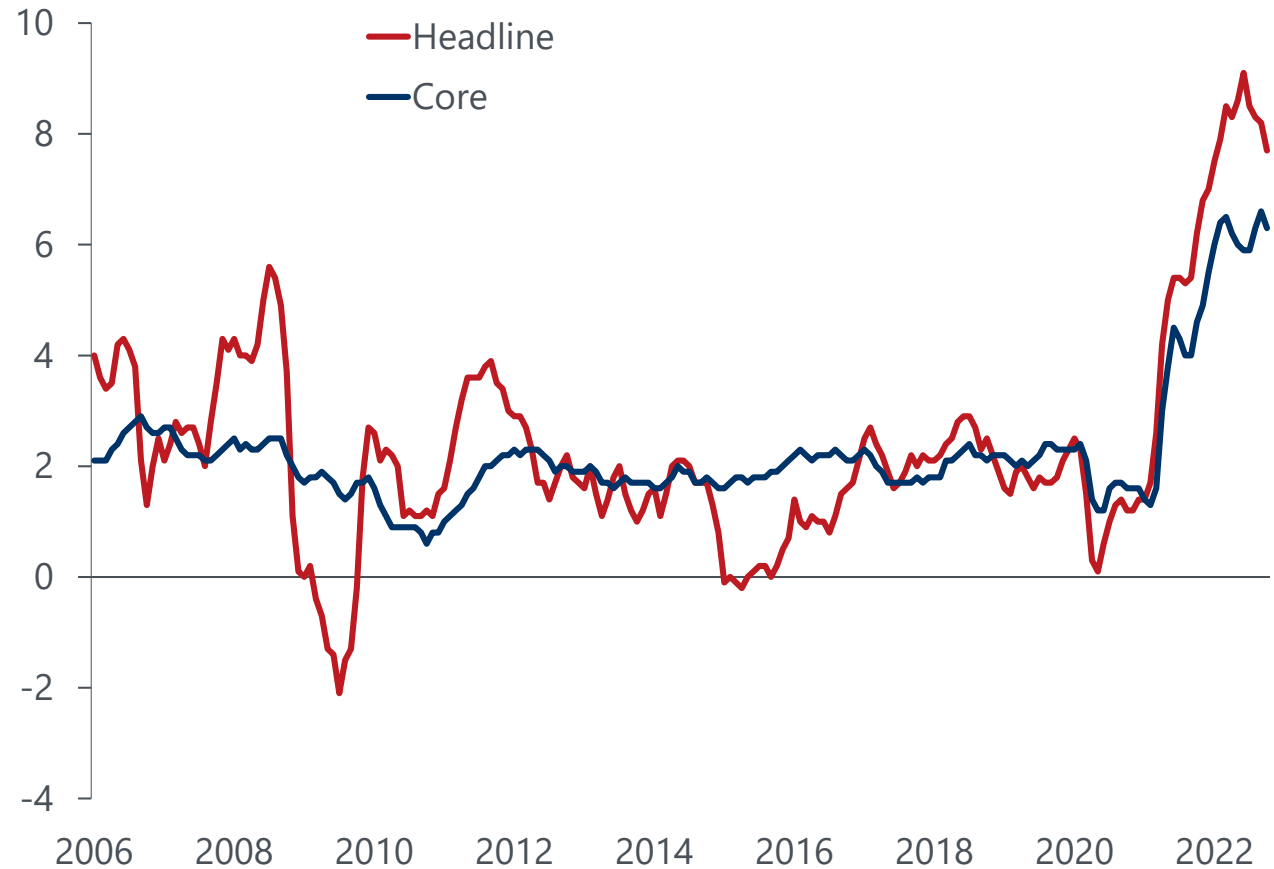


Source: BEA

October CPI brought signs of hope but we're not there yet

US: Consumer prices

%, year

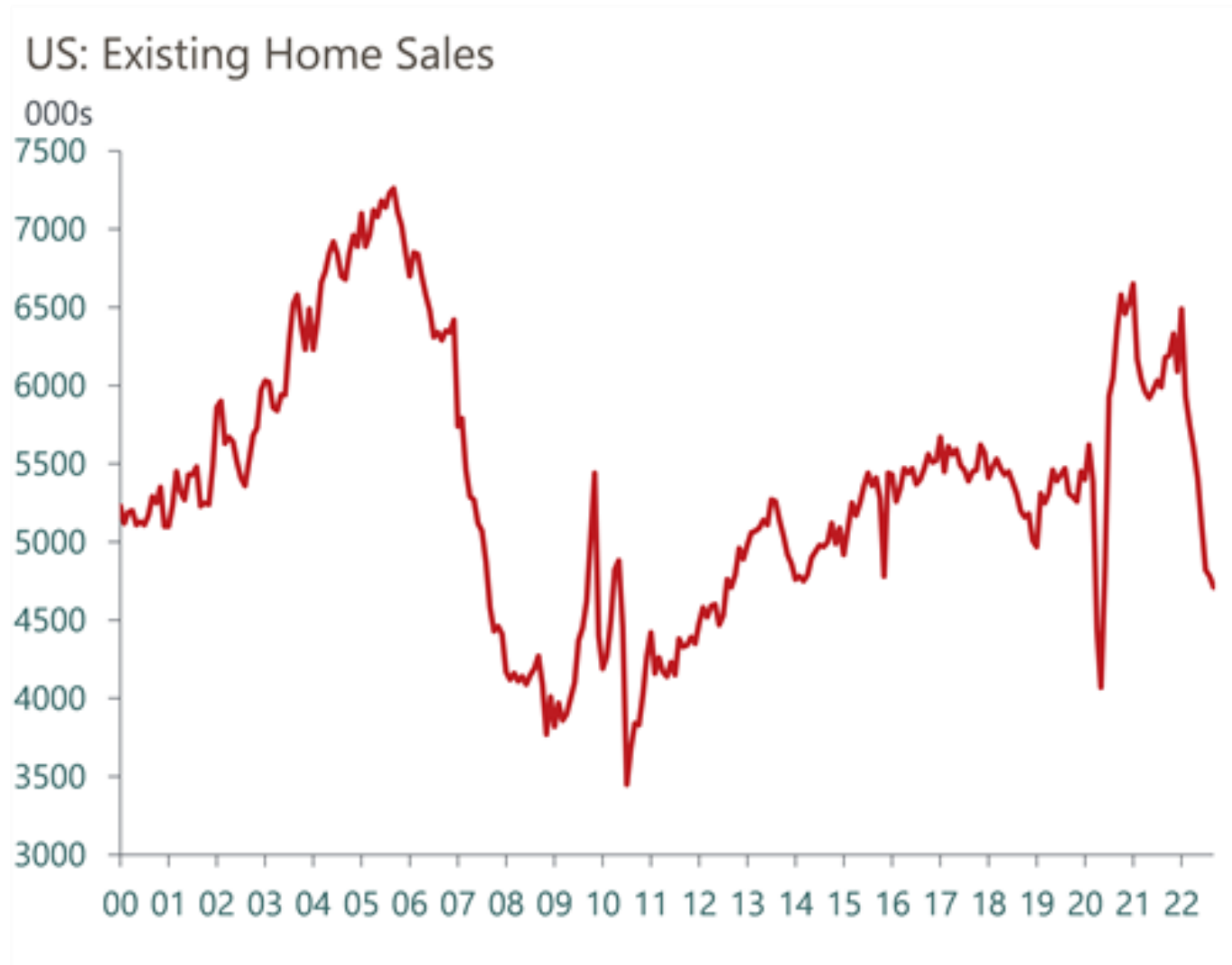


Source: Oxford Economics/Haver Analytics

Headline and core CPI inflation decelerated to a still elevated 7.7% and 6.3%, respectively.

Interest rate hikes will continue.

Higher rates have taken a toll on housing

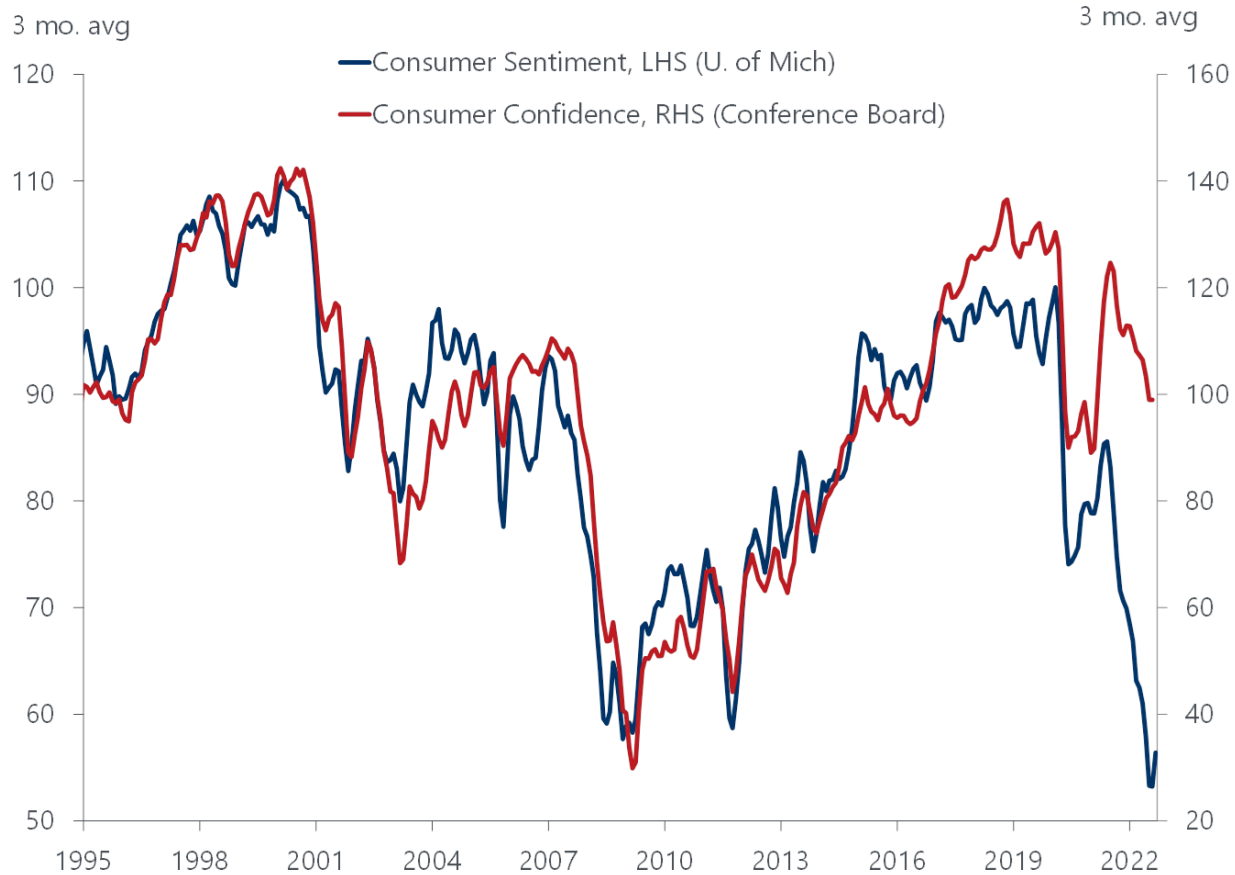


Average new monthly mortgage payments have risen nearly \$750, with interest rates near 7%

~20 mn households have been priced out by higher rates

Consumers feeling uneasy

US: Consumer surveys



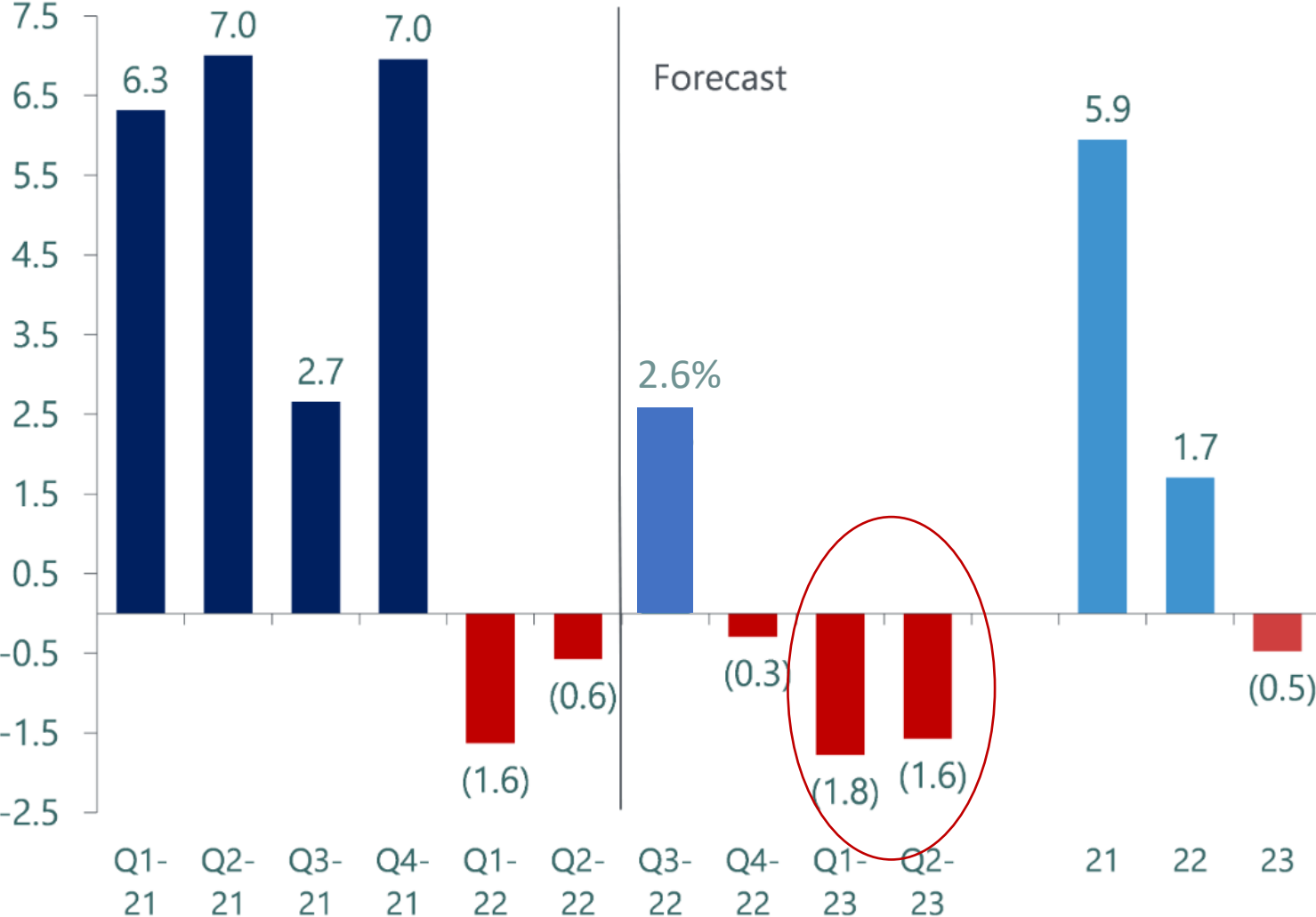
Source: Oxford Economics/Haver Analytics

Consumer confidence has dropped amongst recession fears and continued high inflation

We are headed toward a recession in 2023

US: GDP Forecast

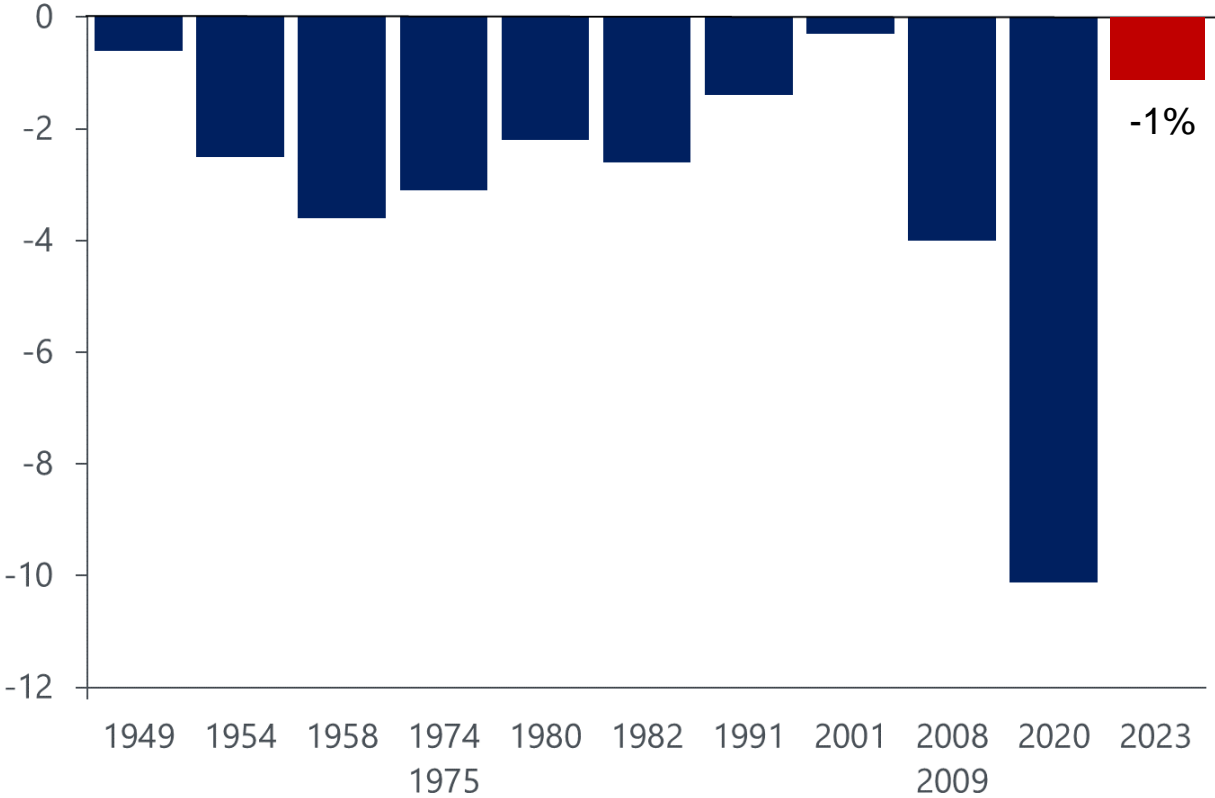
% annualized



The recession will be mild by historical standards

US: Peak-to-trough recessions since 1949

% change, peak to trough



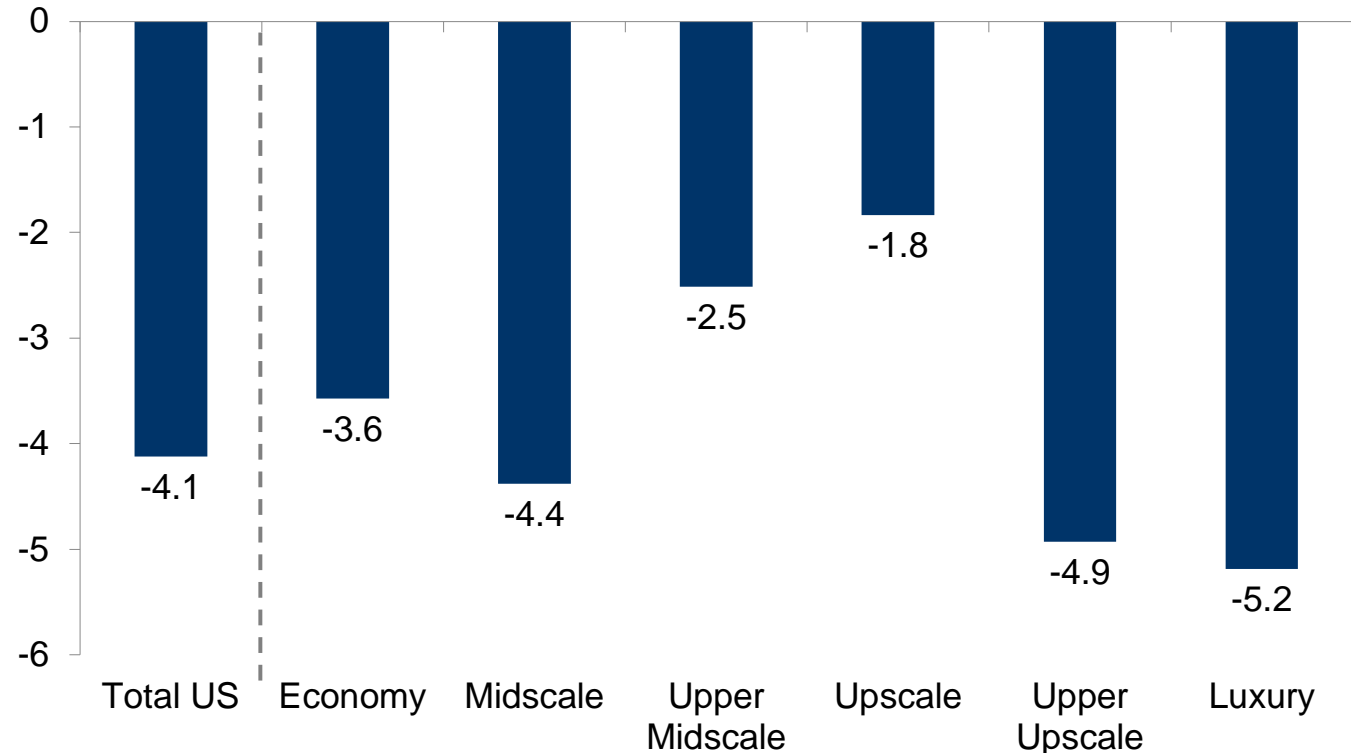
Source : Oxford Economics/Haver Analytics

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What is the usual relationship?

Hotel demand response to GDP during recessions

% change in room demand from -1% change in real GDP, 1987-2019



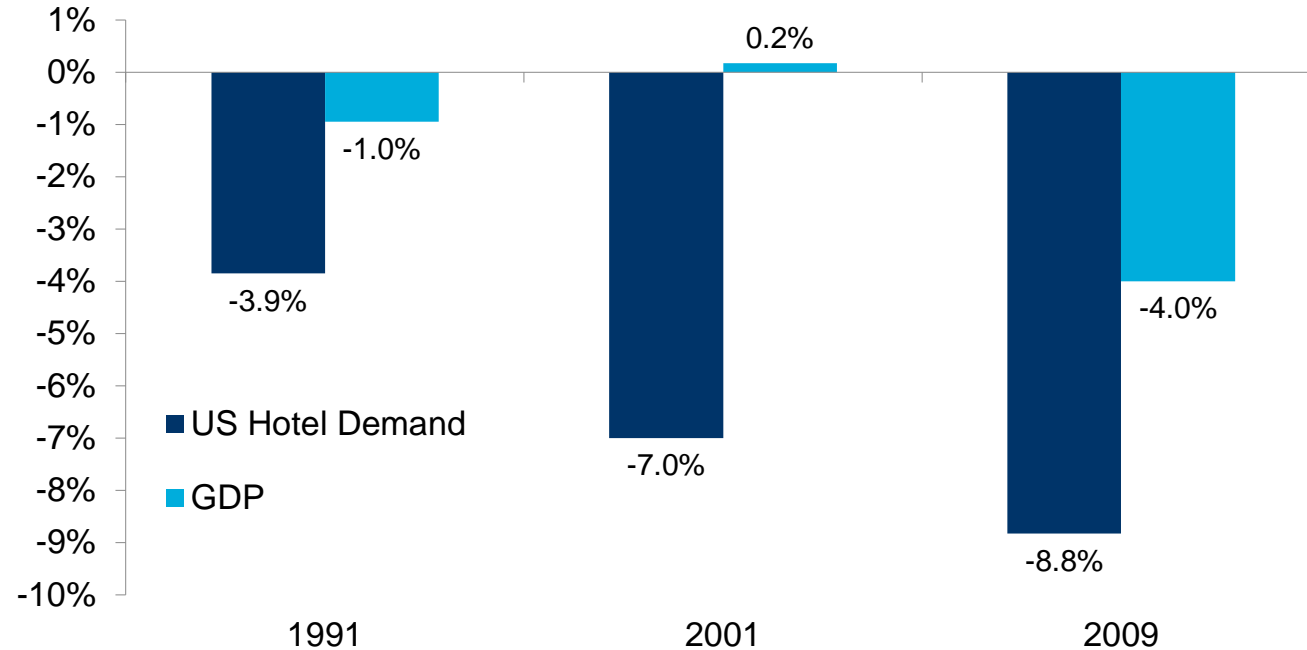
Over the past three recessions (not counting 2020), hotel demand fell on average 4x the rate of GDP.

Source: Tourism Economics

What have the last three “normal” recessions looked like?

Hotel demand during recessionary periods

Year-over-year %, quarterly peak-to-trough



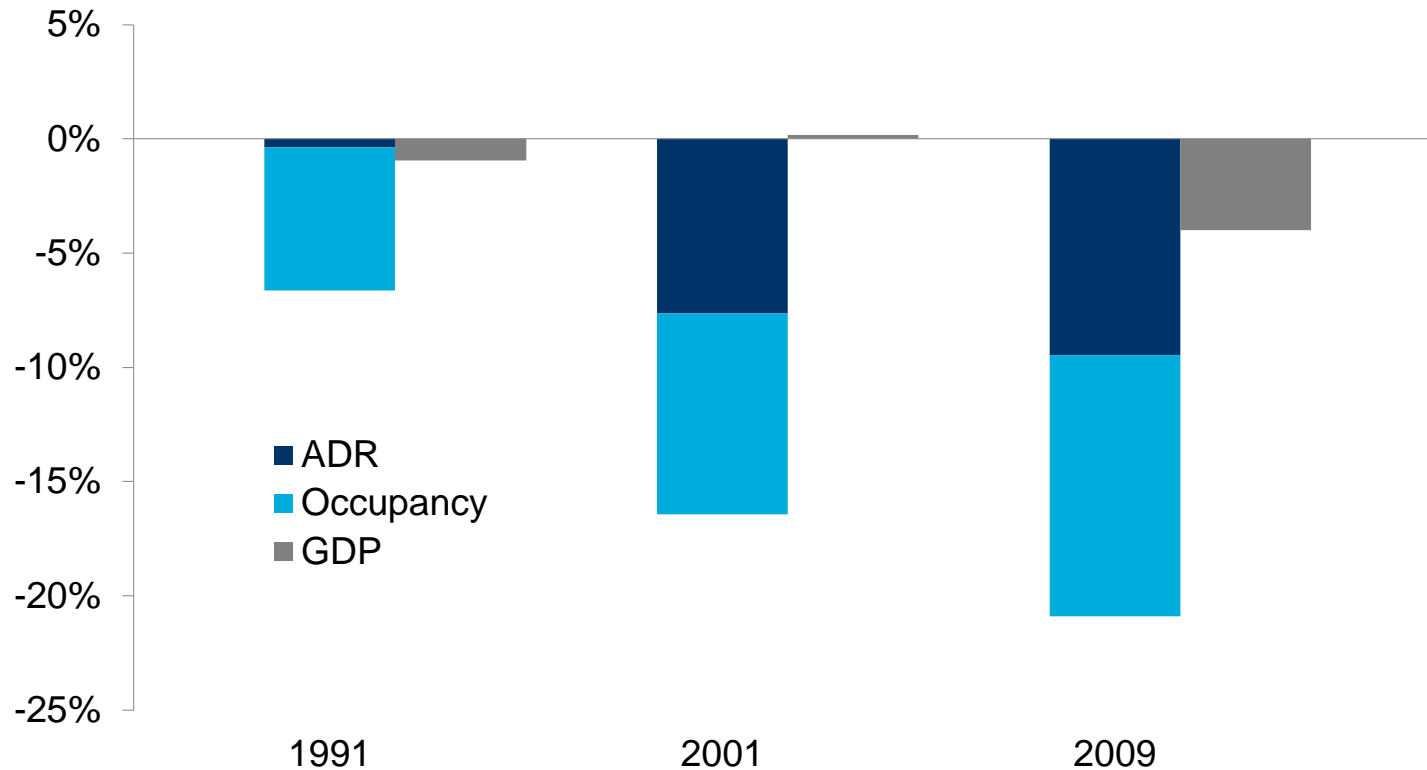
Quite a bit of variation is evident in the GDP-hotel room demand relationship

Source: STR, BEA

Overall performance (choose your own adventure)

Hotel performance during recessionary periods

Year-over-year %, quarterly peak-to-trough



Source: STR, BEA

Quite a bit of variation is evident in the GDP-hotel room demand relationship

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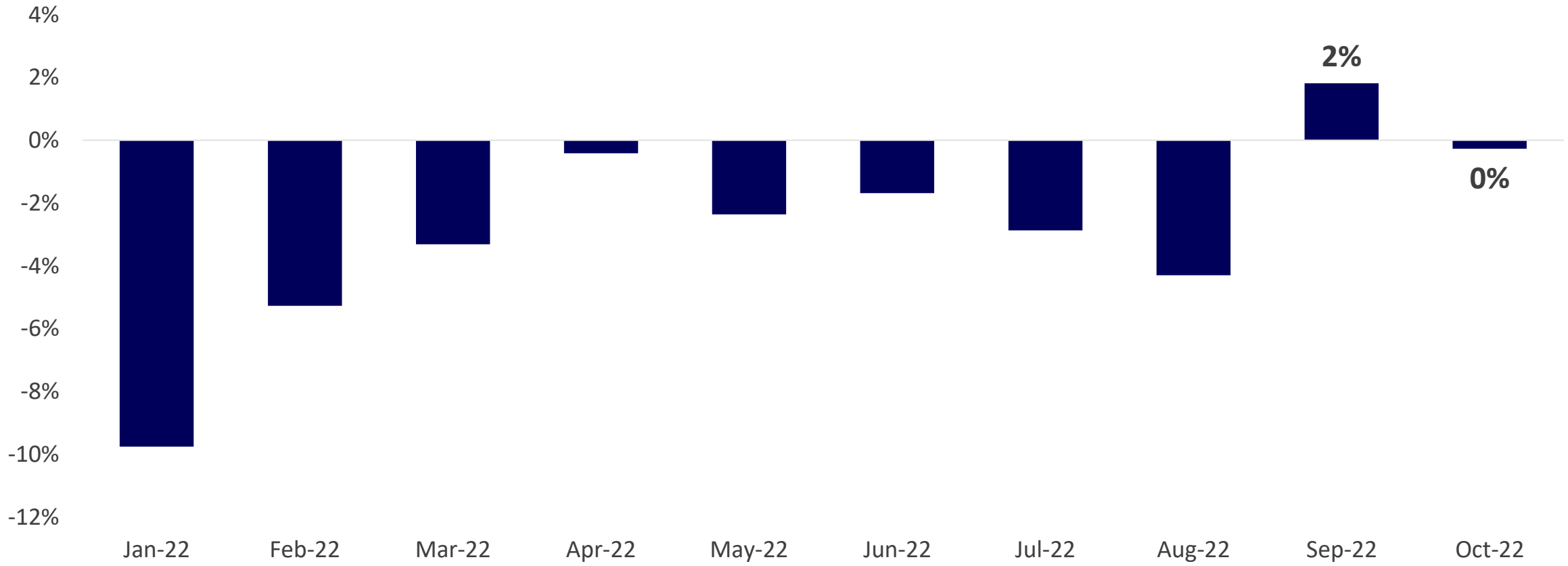
Why the travel industry will prevail

- 1 No signs of weakness yet!

Newsflash: hotel room demand is fully recovered

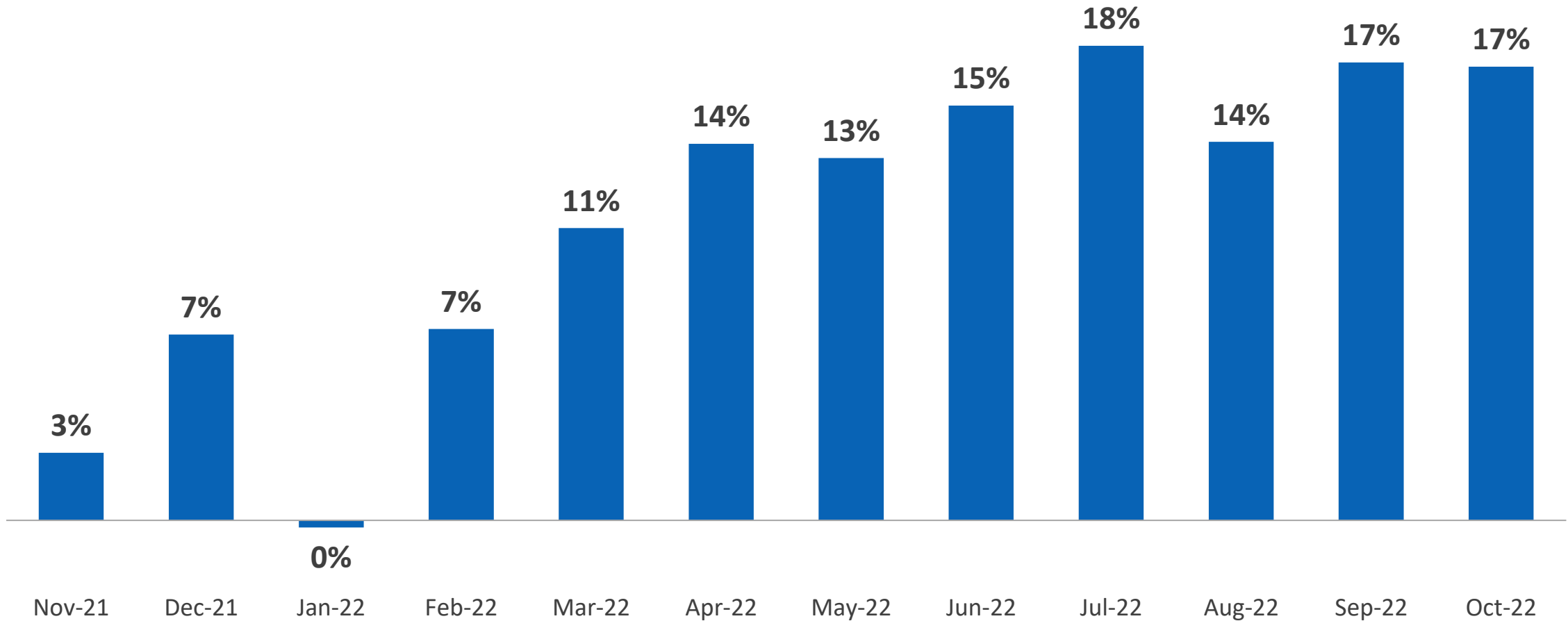


Total U.S., demand % chg. to 2019, Jan 2022 – Oct 2022



...and hotels continue to command high rates

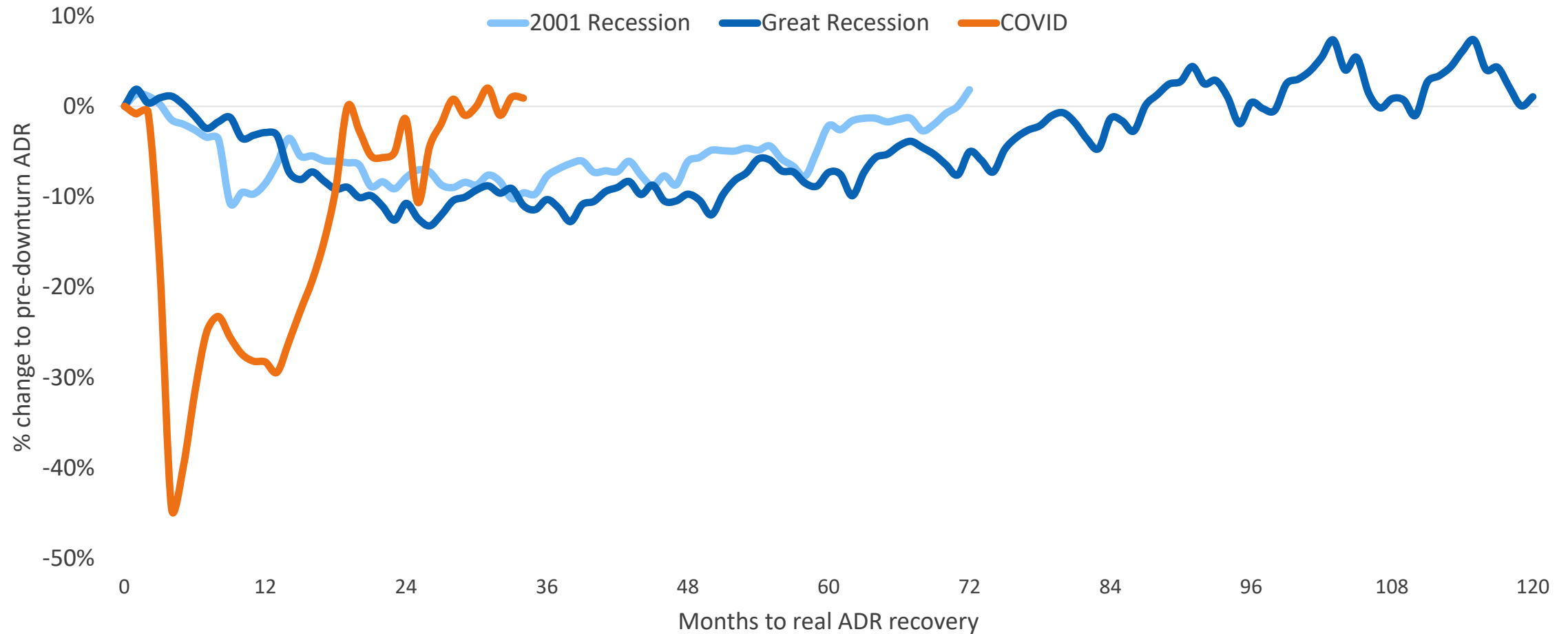
Total U.S., ADR % chg. to 2019, Nov 2021– Oct 2022



Real ADR recovery very strong compared to prior downturns

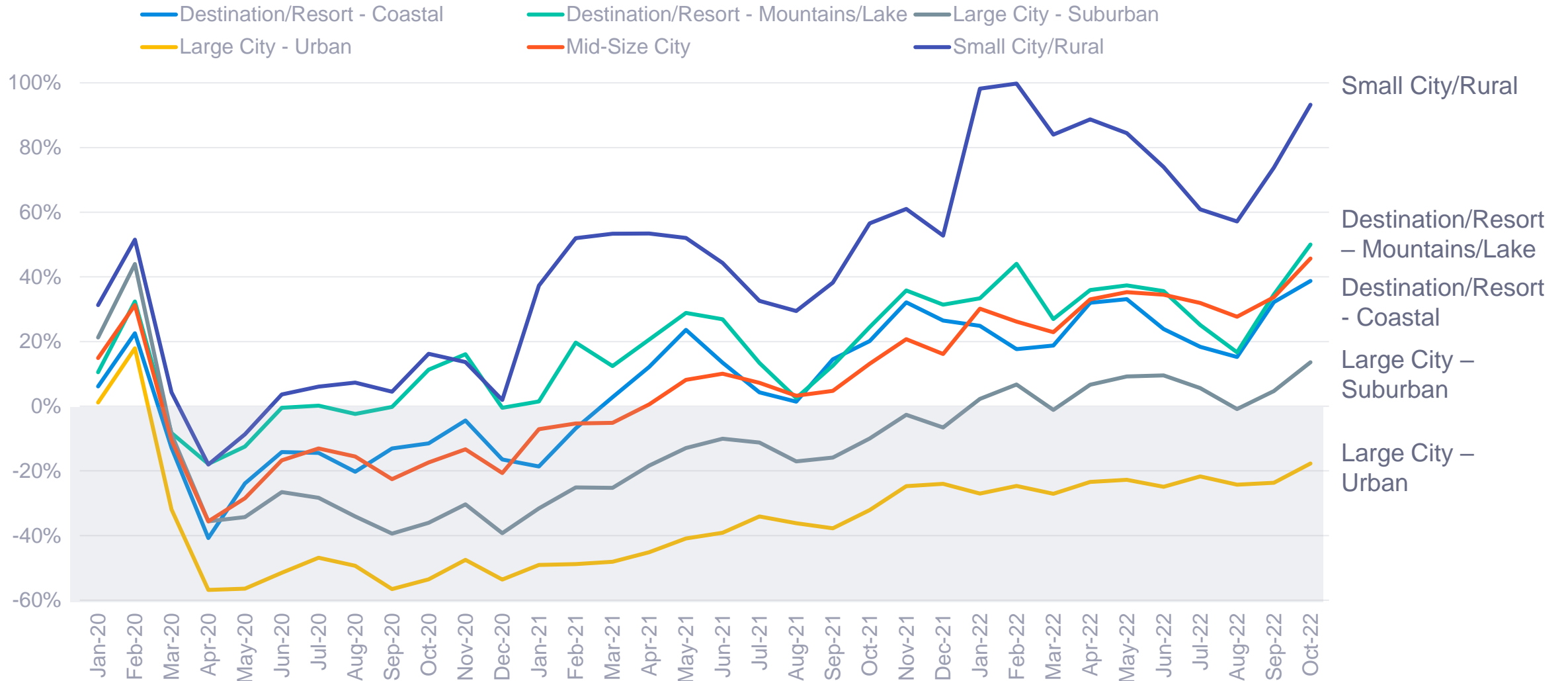


Total U.S., real ADR % change to pre-recession year



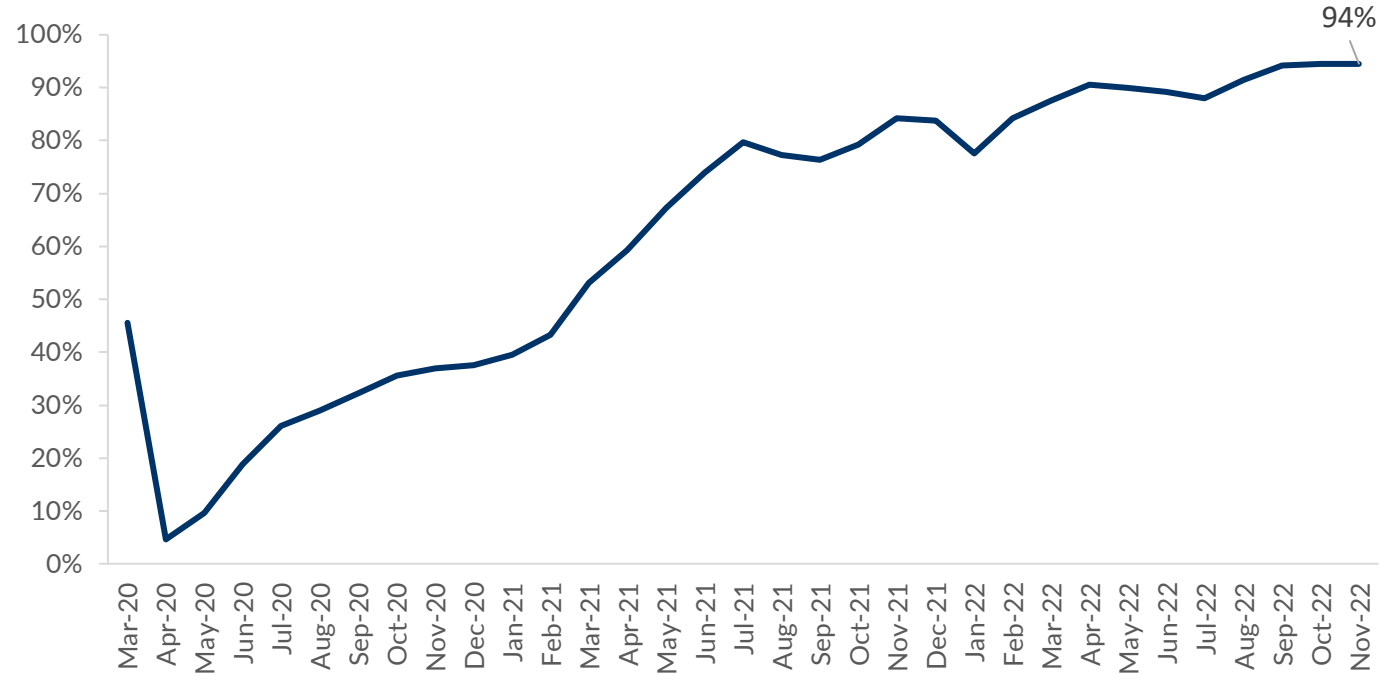
ST rental demand expands... everywhere

Change in U.S. Short-term Rental Demand vs 2019 by Location Type



Air transportation continues to make gains

Air Passenger Volume
% of 2019 level



Source: TSA

“We are expecting a very, very robust demand for the holiday periods for Thanksgiving and Christmas, and it looks to us now is the business is going to have a very strong fall.

I think everybody is looking for cracks. And what I'd say is we haven't seen any cracks in our demand set yet.”

Delta earnings call, Sept 14

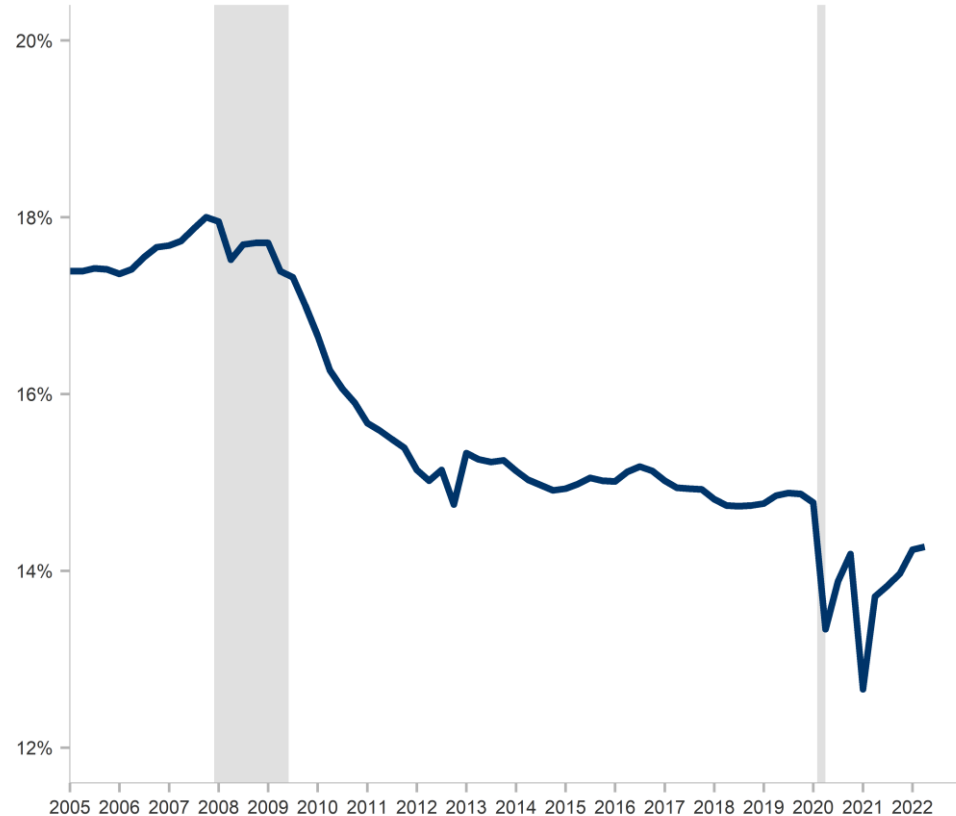
Why the travel industry will prevail

- 1 No signs of weakness yet!
- 2 US households are in a position of strength

Household balance sheets remain strong

Household debt service

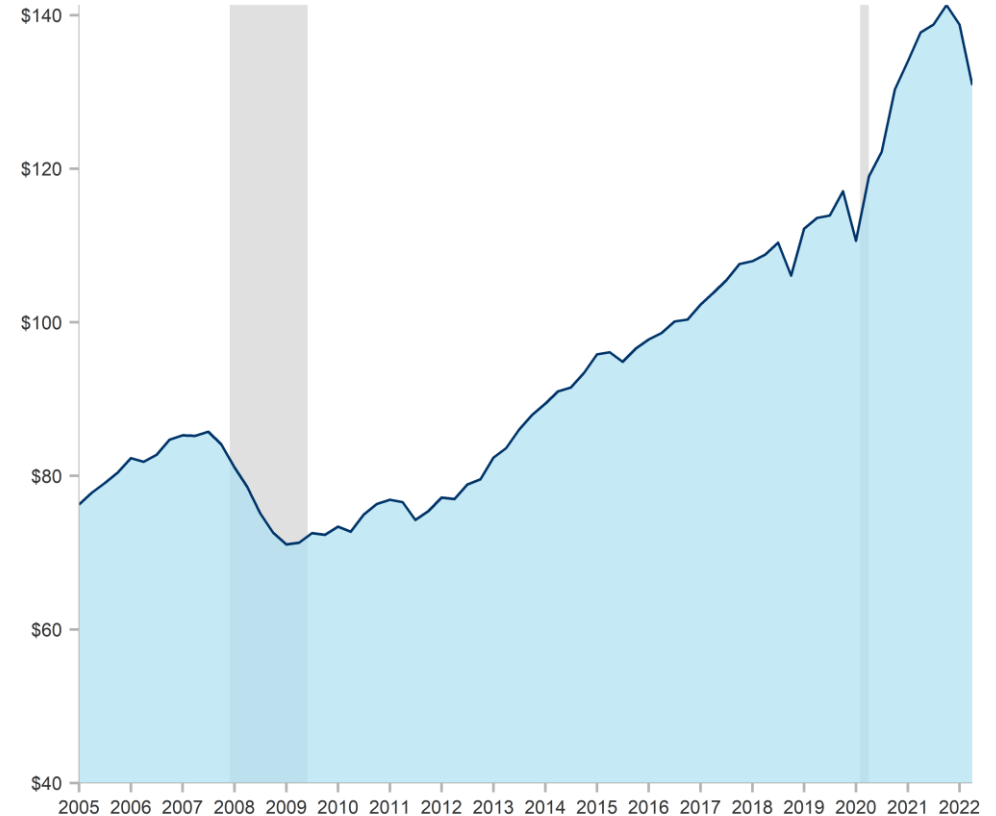
Financial obligations as ratio to disposable income



Note: Quarterly data through 2022Q2. Financial obligations ratio is the ratio of household debt payments, and payments such as rent and auto leases, to disposable income. Source: Federal Reserve, NBER

Household net worth

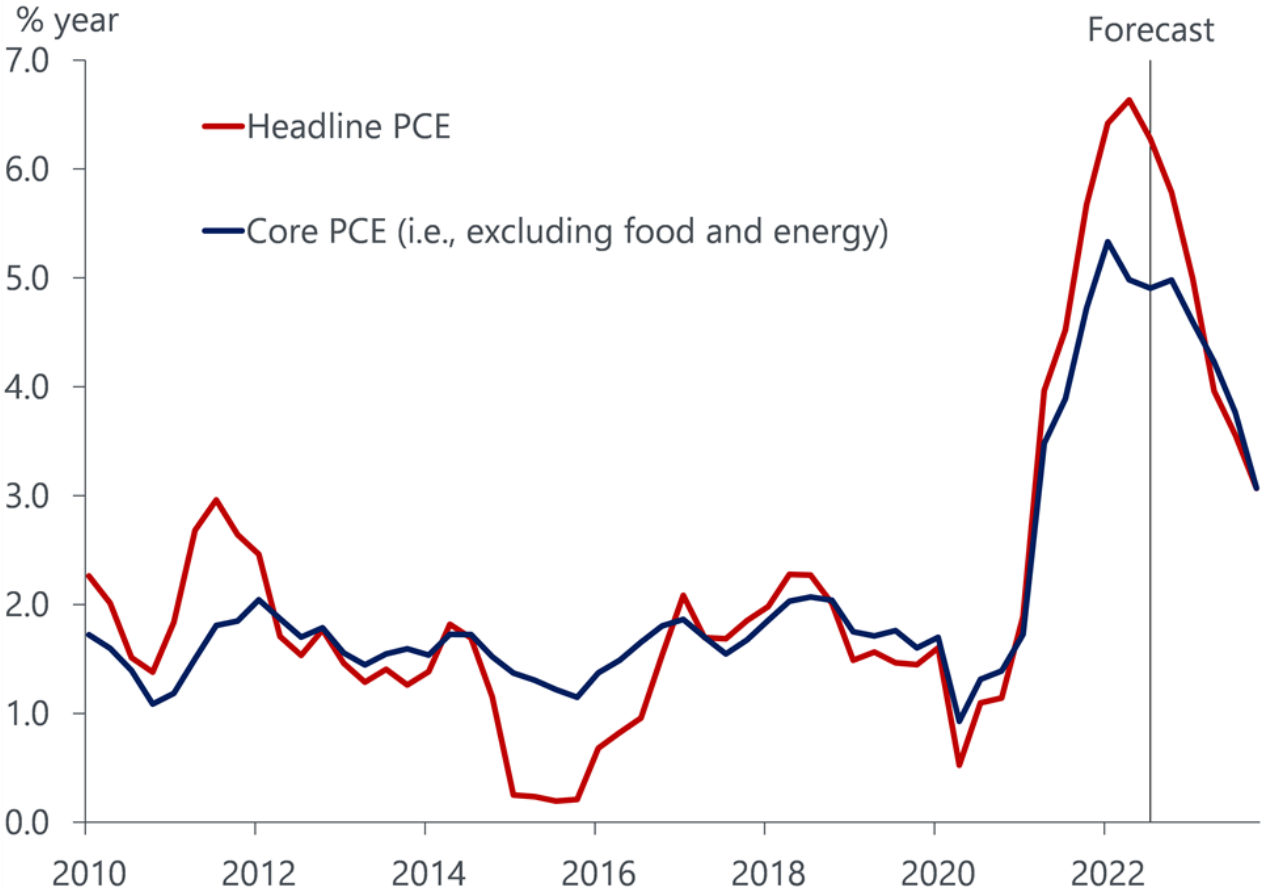
In trillions, real



Note: 2020 dollars. Quarterly data through 2022Q2. Net worth of households and nonprofit organizations. Measures assets such as housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

Expect inflation to slow in the coming months

US: Headline and core PCE prices



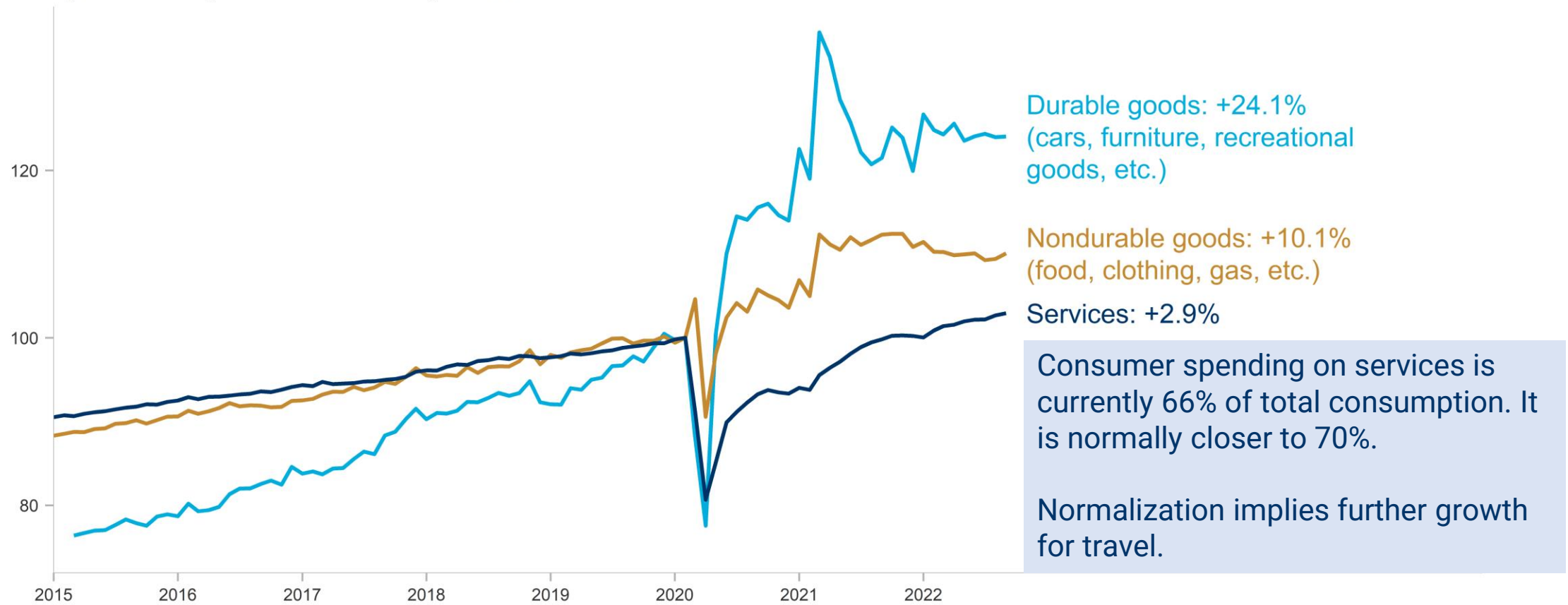
Why the travel industry will prevail

- 1** No signs of weakness yet!
- 2** US households are in a position of strength
- 3** Pent-up demand and prioritization of travel is real

Spending continues to rise... especially for services

Consumer spending, real

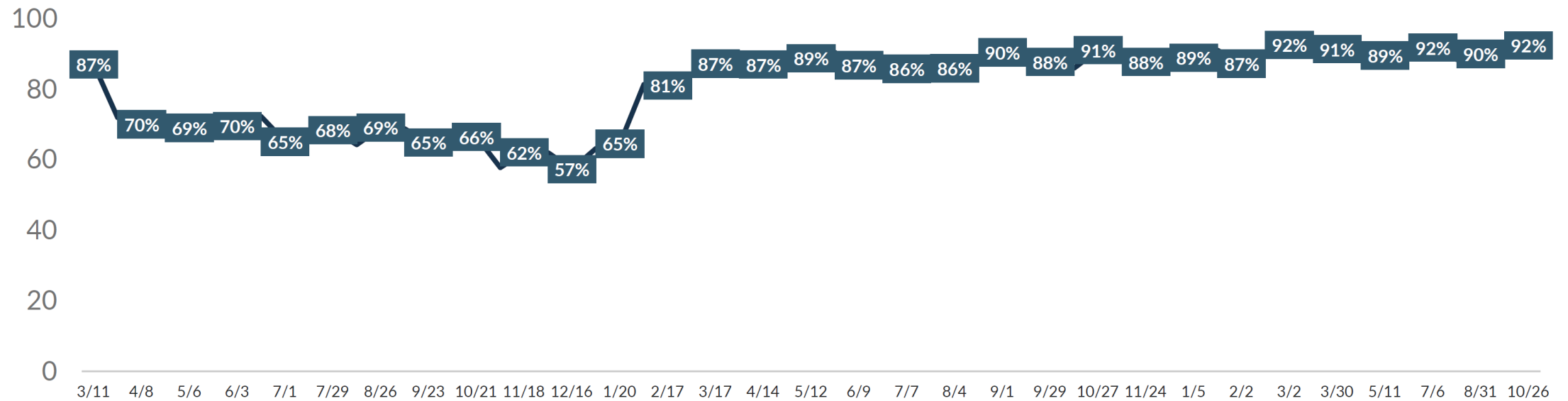
Index (Feb 2020=100), increase since February 2020 in labels



Note: Real. Seasonally adjusted monthly data through September 2022
Source: Bureau of Economic Analysis

And overall intentions to travel remain elevated

Travelers with Travel Plans in the Next Six Months Comparison

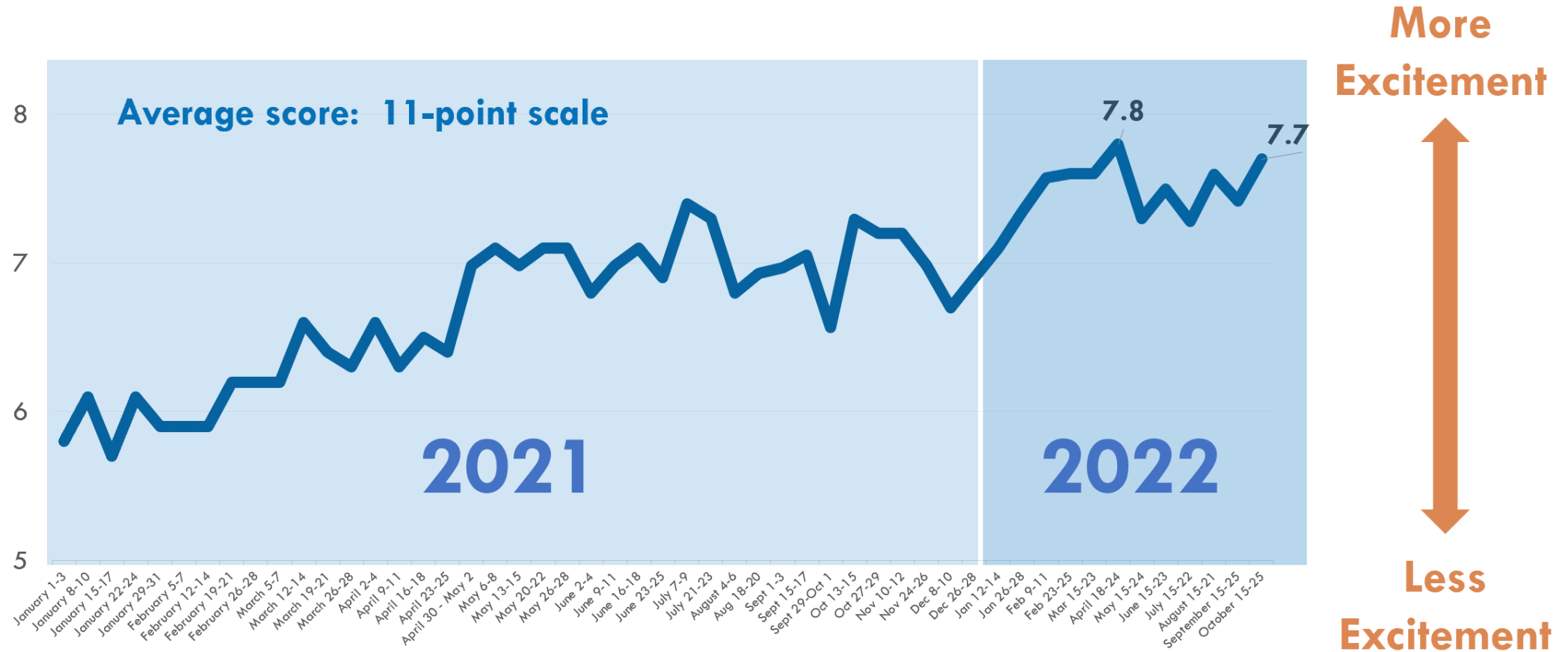


Travel Sentiment Study Wave 67

Longwoods INTERNATIONAL | miles PARTNERSHIP

TOURISM ECONOMICS

How excited are you about leisure travel in the coming year?



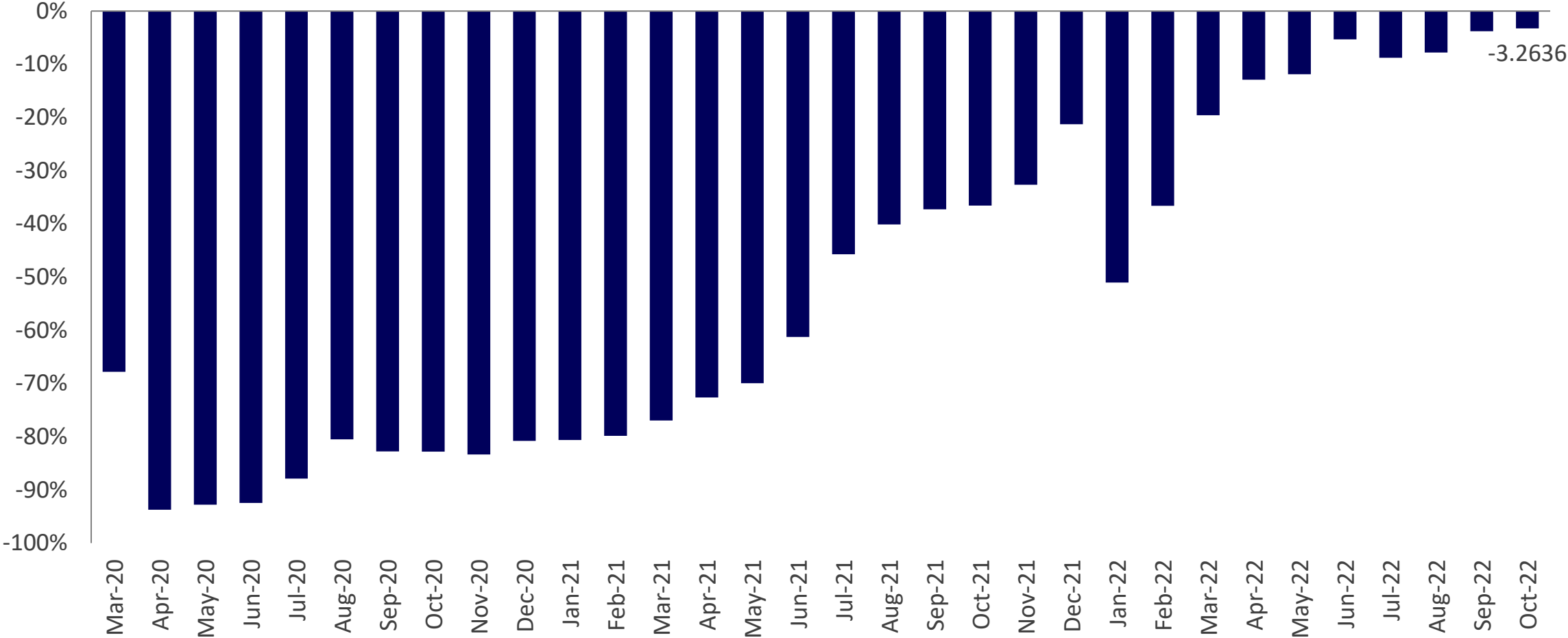
Why the travel industry will prevail

- 1** No signs of weakness yet!
- 2** US households are in a position of strength
- 3** Pent-up demand and prioritization of travel is real
- 4** Businesses are still restoring necessary travel

The Group Recovery Continues



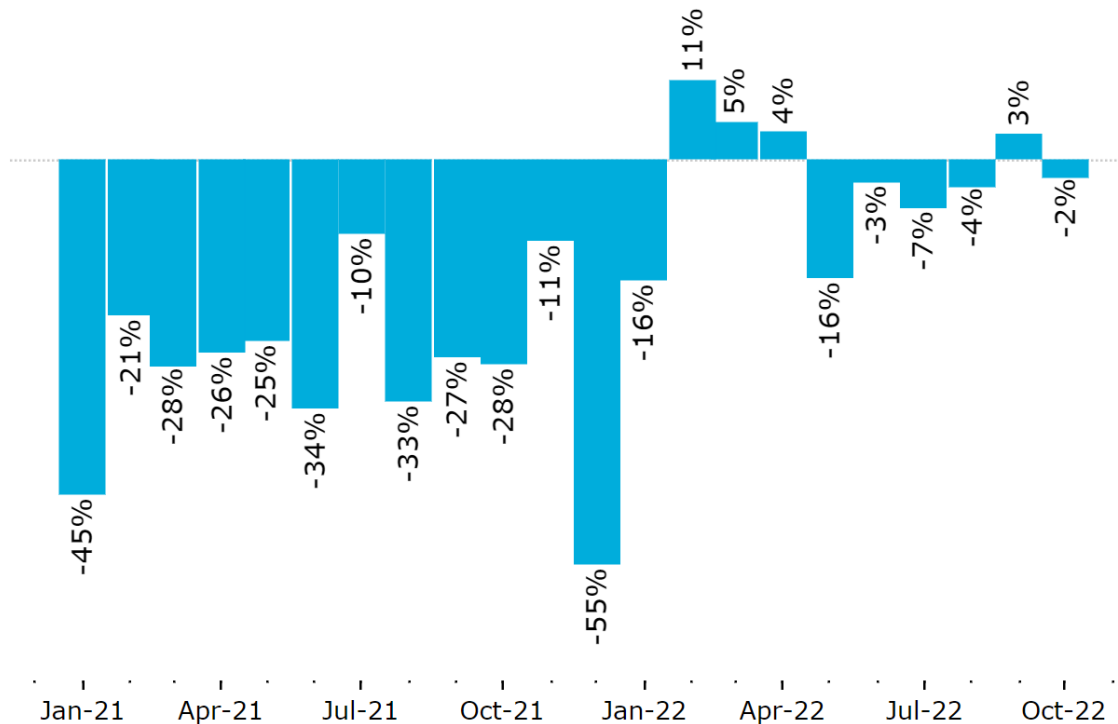
Total U.S., Group demand % change to 2019, Luxury & upper upscale, Mar 2020 – Oct 2022



Group bookings activity is just below 2019 levels

DMO/CVB Group Bookings

Hotel room nights contracted during most recent months
% change from 2019



Source: Simpleview CRM (250+ U.S. DMOs)

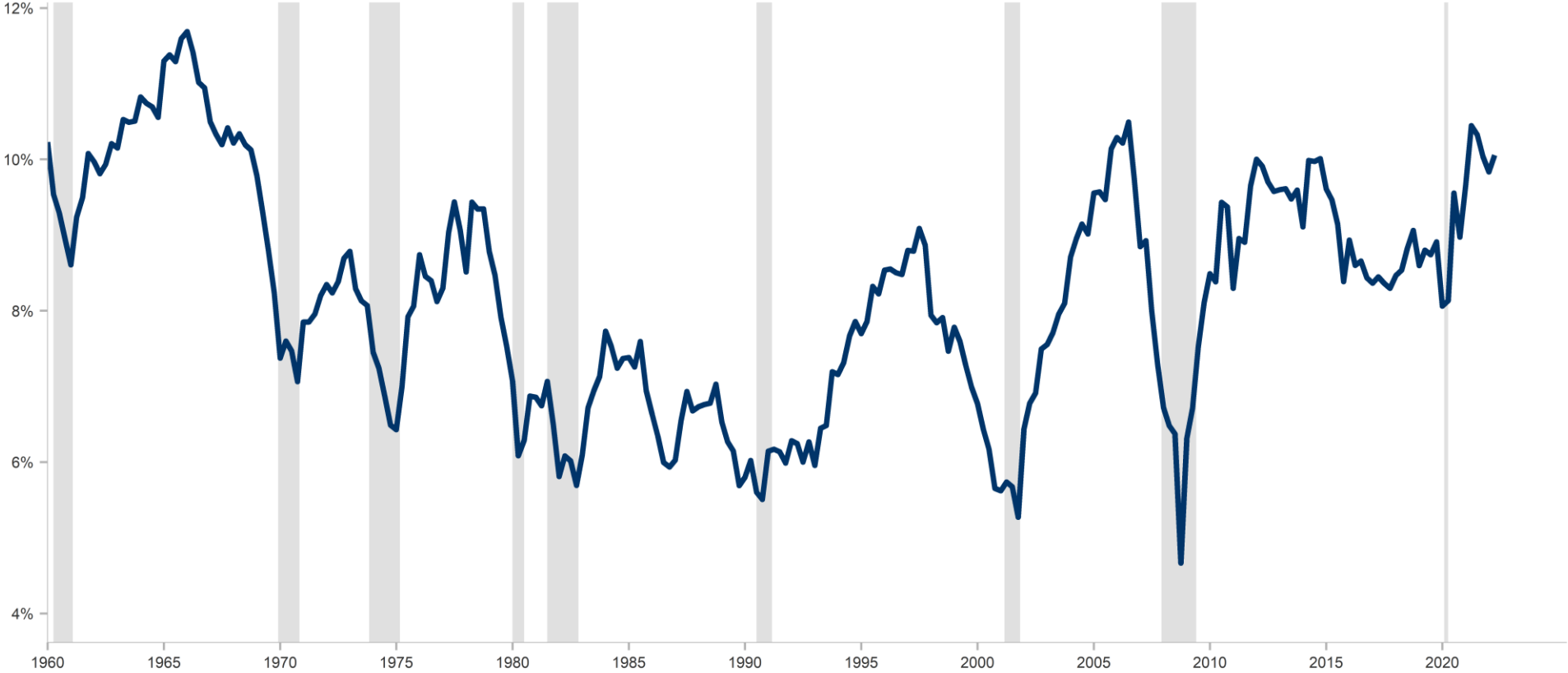
“Group bookings are up 30% compared to 2019, and we expect it to perform better than prior recessions.”

Marriott earnings call, Sept 8

And corporate profit margins remain strong

Corporate profit margins

Grey bars indicate recessions

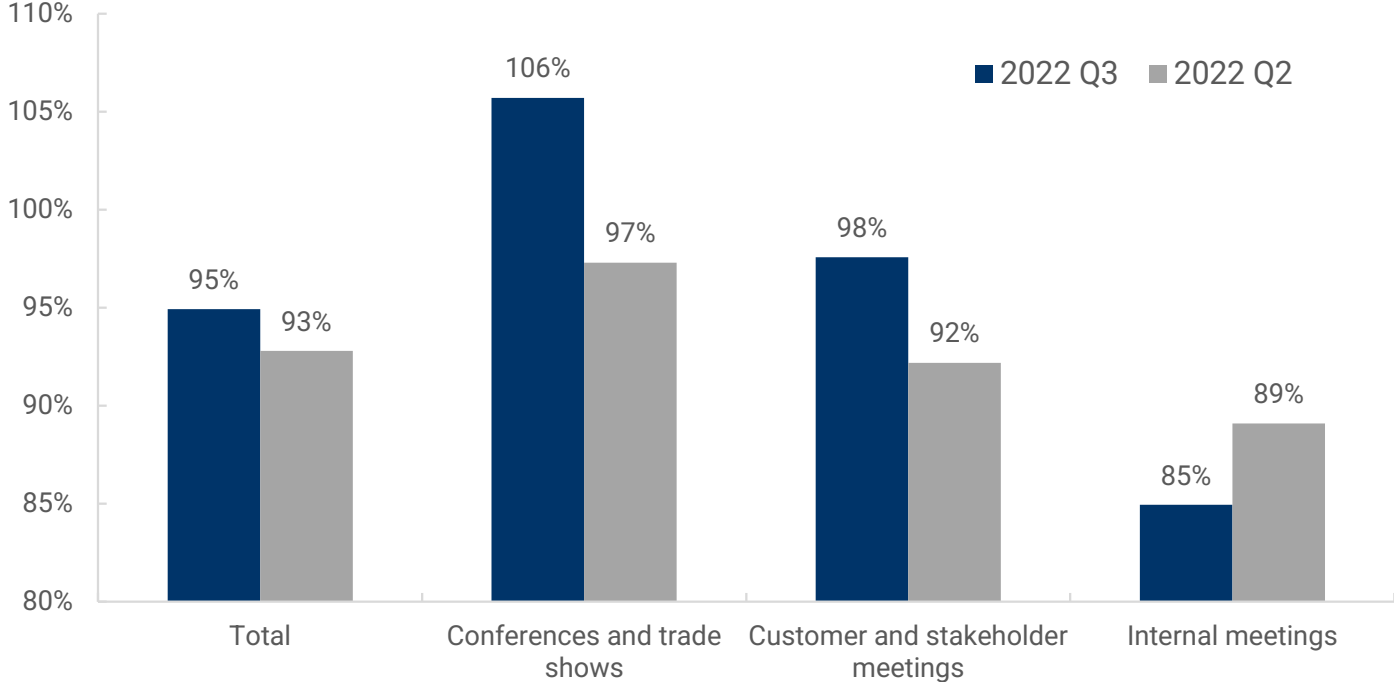


Note: Quarterly data through 2022Q2. Corporate profits before tax as a ratio to GDP. Based on corporate profits with inventory valuation and capital consumption adjustments, domestic industries. Source: BEA, NBER

Business travel expectations INCREASED in Q3

Average expected trips versus 2019

(% average monthly trips expected in six months relative to average monthly pre-pandemic trips)



“Regardless of whether you think demand for business travel will ultimately return to 100% or something less, it almost certainly is going higher from here.”

United earnings call, October 19

[q1&q2] How many times do you travel on average for business purposes?

Business Travelers Survey BASE: Q3 N = 1641; Q2 N = 2545

Macroeconomic Summary

1 A mild recession is likely in 2023

Inflation and higher interest rates will leave a mark, but strong balance sheets should limit the downside

2 Usually, this would imply a substantial retrenchment in travel

The 1% drop in GDP would historically room demand to drop 4%. The latest forecast defies this norm.

3 Four reasons travel is uniquely positioned for this downturn

- Momentum is still evident
- Households (and businesses) are in a fiscally strong position
- Pent-up demand is prioritizing travel
- Business travel continues to rebuild

4 The travel outlook

Despite the recession, we still expect growth across all traveler segments

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis and economic impact studies. With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

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