

DETAILED 2016 VISITATION AND ECONOMIC IMPACT RESULTS

August 22, 2017

FINAL REPORT SUBMITTED TO:
VISIT PHILADELPHIA
30 S. 17th St, Suite 2010
Philadelphia, PA 19103



FINAL REPORT SUBMITTED BY:
Econsult Solutions
1435 Walnut Street, 4th Floor
Philadelphia, PA 19102



EXECUTIVE SUMMARY

Commissioned by VISIT PHILADELPHIA, this report details Greater Philadelphia's 2016 visitation and economic impact of tourism with comparisons to previous years.

Each year, tens of millions of travelers visit the Greater Philadelphia region (Bucks, Chester, Delaware, Montgomery and Philadelphia counties) and inject billions of dollars in spending into the local economy. **For the seventh consecutive year, Greater Philadelphia's tourism industry achieved record performance** across five major industry metrics: visitation, visitor spending, economic impact, visitor-supported employment and tax revenue. The following highlights key findings for those metrics and provides contextual analysis including, historical and national trends.

KEY FINDINGS



Domestic visitation to Greater Philadelphia reached a record 42 million people in 2016, an increase of 2.4% from 41 million in 2015. This represents the seventh consecutive year of visitation growth since the depth of the recession in 2009.



Direct visitor spending in the region totaled \$6.83 billion in 2016, an increase of 2.5% from 2015. Approximately 50% was spent in the lodging and food and beverage sectors. Lodging was the fastest-growing spending sector, at 5.5% annual growth, driven by an increase in overnight visitation and higher daily hotel rates.



Total economic impact from visitor spending reached a record \$11 billion in 2016, up 2.8% from \$10.7 billion in 2015. This represents \$30 million in regional impact per day. Over the past seven years, growth in visitor spending and impact has outpaced growth in visitation. Not only are more visitors coming each year, but they are becoming more impactful on a per visitor basis due to increases in their spending footprint.



Visitor-supported employment totaled 96,600 in 2016, a 3.5% increase over 2015. Labor income resulting from that employment totaled nearly \$3.4 billion, which also grew 3.5% over last year. One out of every three jobs in the leisure and hospitality sector is supported by visitors to the region.



State and local taxes generated by visitors grew by 3.7% to \$638 million in 2016, representing an annual tax savings of \$420 per household in the five-county region. Visitor-generated tax revenue directly funds public services such as, education, public safety and transportation.

Through these impacts, Greater Philadelphia's tourism industry plays a major role in sustaining and growing the region's diversity in offerings, which in turn, further inspire new and repeat visitors to choose Greater Philadelphia as a destination of choice and enhances the quality of life for over three million residents.

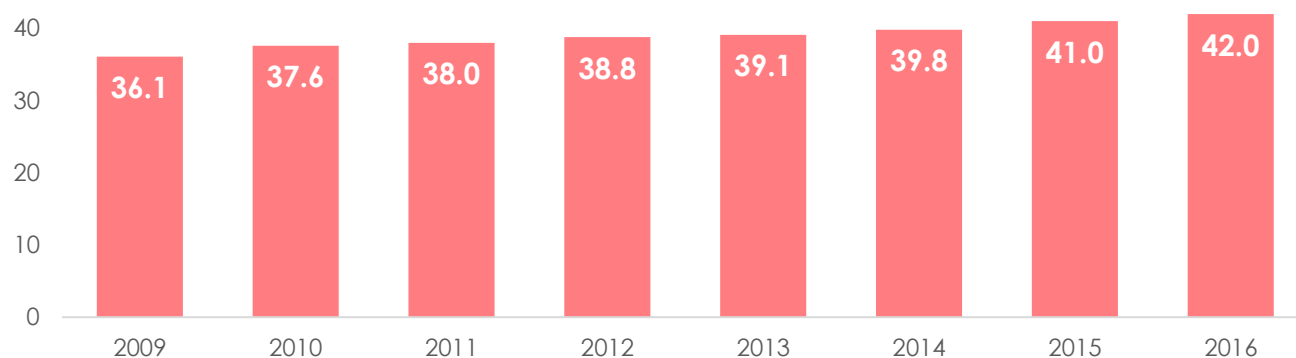
ADDITIONAL ANALYSIS

VISITATION

Visitation to Greater Philadelphia continues to build momentum with **seven straight years of record totals, hitting 42 million in 2016** (Figure 1). The 42 million visitors are equivalent to the total state populations of New York, Virginia and Ohio.

Since the economic crisis in 2009, domestic visitation increased by six million from 36 million to 42 million, averaging 2.2% growth per year. Growth from 2015 to 2016 was above average at 2.4%. **The one million more visitors in 2016 from 2015 accounted for the largest net increase since 2010.**

Figure 1 – ANNUAL VISITATION 2009-2016
(in millions)



A rise in overnight trips has been the main driver of total visitation growth, increasing by 29% since 2009 compared to 10% for day trips (Table 1), with **overnight leisure trips growing by more than 3.3 million** over this period from 11.4 million to 14.7 million.

Table 1– ANNUAL VISITATION TO GREATER PHILADELPHIA FOR 2009, 2015 and 2016 (in millions)

Year	Total	Overnight Leisure	Day Leisure	Overnight Business ¹	Day Business	Overnight Total	Day Total
2009	36.01	11.35	20.50	1.80	2.36	13.15	22.86
2015	41.05	14.28	21.87	2.20	2.69	16.49	24.56
2016	42.02	14.65	22.35	2.26	2.76	16.91	25.11
% Chg 2009-2016	17%	29%	9%	26%	17%	29%	10%
% Chg 2015-2016	2.4%	2.6%	2.2%	2.7%	2.6%	2.5%	2.2%

Leisure visitation, representing 88% of total annual visitation, has also grown consistently over this period, signaling the region's development into a **destination of choice**. This steady stream of discretionary travelers provides greater stability of hotel demand across days of the week and seasons of the year.

¹ Annual business visitation (both overnight business and day business) includes convention visitors.

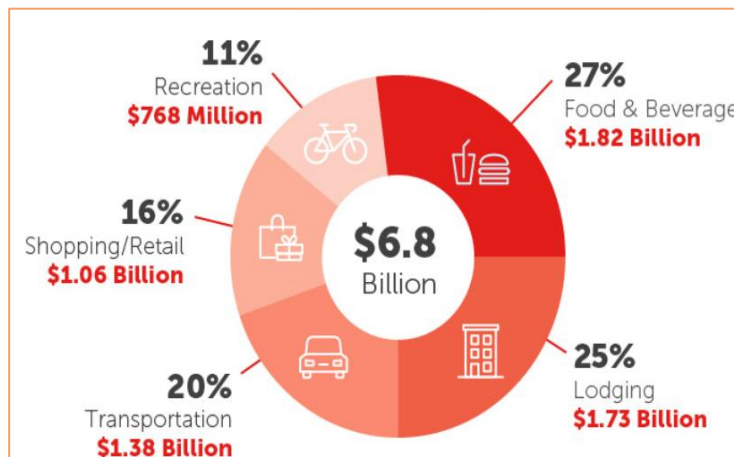
VISITOR SPENDING

In 2016, **direct spending by visitors within Greater Philadelphia totaled \$6.83 billion, a 2.5% increase from \$6.66 billion in 2015.**

Direct spending is divided across five major sectors of the tourism economy with the two largest sectors, food and beverage and lodging, representing half of total visitor spend (Figure 2).

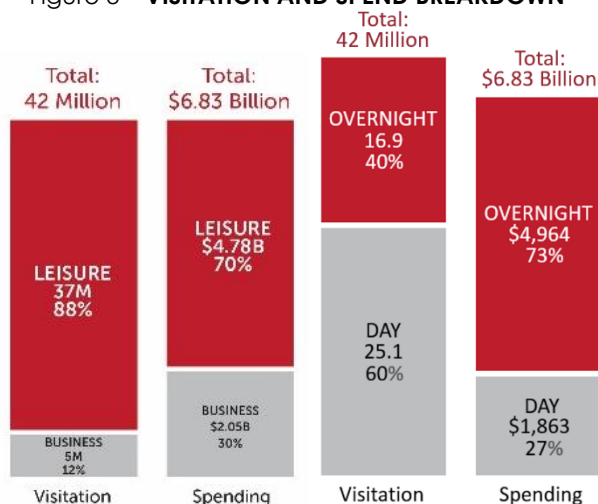
- **Lodging** was the fastest-growing sector, increasing 5.5% year over year, driven both by increases in overnight visitation and daily rates at Greater Philadelphia hotels.
- **Food & Beverage** spending totaled \$1.76 billion in 2015, a 3.6% increase over 2015. Visitors helped sustain the more than 100 new restaurants across the region in 2016.
- **Transportation** spending, down 2.6%, was the only category to fall in 2016. The continuing double-digit declines in fuel prices reduced spending on gasoline and airfare.
- **Retail and recreation sectors** saw higher growth in 2016, at almost 5% growth for both, than in 2015. Impact from reduced transportation spending is likely counterbalanced by increased spending in other sectors.

Figure 2 – 2016 DIRECT VISITOR SPENDING BY CATEGORY



Looking at visitor spending by segment type, leisure visitors and overnight visitors stand out as highly valuable guests.

Figure 3 – VISITATION AND SPEND BREAKDOWN



Leisure travelers make up the vast majority, 88%, of visitors to Greater Philadelphia and contribute the majority of spending impact.

Overnight visitors comprise under half of total visitors yet contribute almost three-quarters of total visitor spending. Overnight trips increase hotel room nights sold and draw more spending per visitor. With successful tourism marketing, the portion of overnight visitation of the total visitation continues to grow. In 2009, 36% of total visitors stayed overnight, by 2016 the share of overnight visitors grew to 40%. This growing demand led to a record occupancy level of 78% for Center City hotels in 2016.

ECONOMIC IMPACT

Tourism is a key export sector of the modern economy, where the item for sale is the experience offered by a destination. Each year, millions of travelers from outside the Philadelphia region purchase the range of experiences that the region has to offer, supporting local businesses, employment and the tax base.

The total economic impact of this activity is the sum of direct visitor spending by tourists and the ripple effects that those dollars have on the local economy.²



In 2016, **economic impact of tourism in Greater Philadelphia totaled a record \$11 billion.** This was a 2.8% increase from the \$10.7 economic impact in 2015. (See Table 2 for economic impact breakdown.)

- The \$11 billion in annual impact equates to **\$30 million in economic impact** per day in the region.
- The majority of economic impact (\$6.4 billion, 58%) took place within the city of Philadelphia.
- Total regional economic impact includes 96,600 jobs supported by visitor activity and nearly \$3.4 billion in labor income.
- Over the past seven years since the recession, **growth in visitor spending and economic impact has outpaced growth in visitation.** This means that not only is the region attracting more visitors, but also that **tourists are becoming relatively more impactful on a per visitor basis** due to increases in their spending footprint.

TABLE 2 – GREATER PHILADELPHIA VISITOR ECONOMIC IMPACT, 2015-2016

Metric	Total	% Chg vs. 2015	Direct Impact	Indirect/ Induced Impact
TOTAL IMPACT (\$ M)	\$11,033	+ 2.8%	\$6,827	\$4,206
EMPLOYMENT (jobs)	96,640	+ 3.5%	71,256	25,384
PERSONAL INCOME (\$ M)	\$3,351	+ 3.5%	\$2,000	\$1,351

Growth in tourism and tourism amenities has demonstrated ancillary benefits for economic growth, quality of life, and resident attraction, since the same features that make destinations attractive to visitors make them attractive to residents, and by extension, to businesses seeking talent.

² Tourism economic impact includes direct spending (business sales of visitor purchases) indirect spending (from the supply chain of tourism-serving businesses) and induced spending (spending of labor income generated by tourism serving businesses).

EMPLOYMENT

Visitor activity supported **96,600 jobs** in Greater Philadelphia in 2016, an increase of 3.5% from 93,300 in 2015. Growing employment indicates that Philadelphia's commitment to tourism as an economic development strategy is paying dividends and that **visitor spending is helping leisure and hospitality businesses not only to sustain themselves, but to grow in number and size.**

The tourism economy is by its nature experiential and tied to the unique qualities of a place, making it very difficult to outsource or to automate.

Visitor-supported employment cuts across multiple key sectors including accommodations, food services, arts & recreation, transportation and retail and represents a significant portion of jobs in each sector as shown below.

Table 3 – 2016 GREATER PHILADELPHIA VISITOR SUPPORTED

Sector	Total Private Employment	Visitor-Supported Employment	% Visitor-Supported
Leisure and Hospitality Sector	177,800	61,000	34%
<i>Arts, Entertainment & Recreation</i>	34,300	12,200	36%
<i>Accommodations & Food Service</i>	143,500	48,800	34%
Transportation	26,130	10,600	41%
Retail	194,500	7,340	4%
Other Industries	1,272,600	17,700	1%
Total	1,670,000	96,600	5.8%

Greater Philadelphia Visitor-Supported Employment as a Share of Private Employment, 2016. Sources: Bureau of Labor Statistics, Econsult Solutions, Inc., IMPLAN

In addition:

- **6% of total private employment** in the region, 96,600 jobs, is accounted for by visitor-supported employment overall.
- **1 out of every 3 jobs in the region's leisure and hospitality sector** is supported by visitors to the region. Within the leisure and hospitality sector, 36% of jobs in the region's arts, entertainment and recreation sectors are supported by visitor spending, as are 34% of jobs in the accommodations and food sector.
- **4% of total private employment, or 7,340 jobs** is visitor-supported retail employment, a 2.5% growth from 2015. Tourism activity may remain a bright spot for this sector. Visitors are more likely to be seeking an experiential retail experience connected with the destination they are visiting, as opposed to online shopping.
- **Leisure and hospitality sector growth in Greater Philadelphia has outpaced growth elsewhere in the Commonwealth** in each of the past seven years. Employment growth within the sector has averaged 2.6% in the five-county region over this period, compared to 1.4% across the remainder of the state.

TAX REVENUE

Out-of-town visitors contribute tax dollars to support government services that residents benefit from year-round, without having to raise taxes on local residents.

In 2016, state and local taxes generated by visitor spending in Greater Philadelphia totaled \$638 million, an increase of 3.7% from \$615 million in 2015.

- Local tax revenue for the city of Philadelphia and surrounding counties totaled \$414 million. Revenue generated for the Commonwealth of Pennsylvania was \$224 million.
- The state and local tax revenue equates to \$420 in tax savings for each of the 1.5 million households in the five-county region. This means that in total, Greater Philadelphia residents saved \$638 million in taxes in 2016.

Of the total visitor generated tax revenue, **\$90 million was attributed to consumption taxes**—taxes on consumed purchases such as, hotel room nights and attraction tickets—within the City of Philadelphia. As detailed in the table below, visitor-supported activity accounts for 37% of total annual tax revenues from consumption taxes.

The consumption tax revenues **directly support the School District of Philadelphia and the City of Philadelphia General Fund**, which maintains priority programs such as public safety, transportation and sanitation.

Table 4 – SHARE OF SELECTED PHILADELPHIA CONSUMPTION TAXES SUPPORTED BY VISITORS

Tax Type	Visitor Supported Revenue, 2016 (\$M)	Total City of Philadelphia Collections, FY 2016 (\$M)	Visitor Supported Proportion (%)	Use of Revenue
Hotel Tax	\$55.7	\$58.6	95%	Tourism Promotion/ Convention Center Debt
Liquor Tax	\$22.2	\$66.0	34%	School District
Amusement Tax	\$5.6	\$19.1	29%	General Fund
Vehicle Rental Tax	\$3.9	\$5.7	68%	Stadium Debt
Parking Lot Tax	\$2.5	\$92.2	3%	General Fund
Total	\$89.9	\$241.6	37%	

Sources: City of Philadelphia, ESI

Visitor revenues also support further tourism marketing efforts via the hotel tax, which funds the Pennsylvania Convention Center, the Philadelphia Convention & Visitors Bureau and VISIT PHILADELPHIA. Therefore, **tourism marketing is self-sustaining and generates major tax revenue for the city, suburbs and state.**