2014

# MICHIGAN TOURISM PAST PERFORMANCE AND FUTURE EXPECTATIONS

The Pure Michigan Governor's Conference on Tourism
March 9-11, Acme, MI

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Michigan State University



## OUTLINE

- Overview of industry – global and national – 2013-14
- 2013 Michigan tourism year-in-review
- 2014 Michigan tourism forecast



## TOURISM INDUSTRY: GLOBAL AND NATIONAL PERSPECTIVES



## TOURISM INDUSTRY ON THE GLOBAL LEVEL (WTTC)

- **"In 2013, Travel & Tourism total contribution to GDP is expected to grow at 2.9% according to WTTC's latest [Oct] estimates. This is a much higher level of growth than the 2.1% expected for the global economy and continues to show the strength and resilience of the Travel & Tourism industry."**
- Compared to anticipated growth of 3.2% reduced investment growth

Source: World Travel & Tourism Council
http://www.wttc.org/site_media/uploads/downloads/Mid_Year_Update_2013_V2.pdf



## TOURISM INDUSTRY ON THE GLOBAL LEVEL (WTTC)

- **The TTE is projected to grow by 2.8% in 2014; an average growth rate of 4.2% per annum is projected through 2023.**
- 2014 downgrade due to "Factors including the uncertainty in the US and a need for more caution around growth in the emerging markets and a rebalancing of China's economy resulting in lower but more sustainable levels of growth."

Source: World Travel & Tourism Council
http://www.wttc.org/site_media/uploads/downloads/Mid_Year_Update_2013_V2.pdf



## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

- **"Despite global economic challenges, international tourism results were well above expectations, with an additional 52 million international tourists [+5%] travelling the world in 2013."**
- Compared to projected increase of 3-4%

**By Region:**

- Asia/Pacific +6%
- Africa +6%
- Europe +5%
- Americas +4%
- Middle East 0%

Source: UNWTO http://media.unwto.org/press-release/2014-01-20/international-tourism-exceeds-expectations-arrivals-52-million-2013

## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

"Russia and China – leading in growth in 2013"

[based on estimated spending through end Q3 2013]

China +28% (largest global source market since 2012)

Russia +26%

Source: UNWTO http://media.unwto.org/press-release/2014-01-20/international-tourism-exceeds-expectations-arrivals-52-million-2013 7



## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

Performance of key advanced economy source markets more modest:

Canada and United Kingdom +3%

Germany ↓

"Other emerging markets with substantial growth in outbound expenditure were Turkey (+24%), Qatar (+18%), Philippines (+18%), Kuwait (+15%), Indonesia (+15%), Ukraine (+15%) and Brazil (+14%)."

Source: UNWTO http://media.unwto.org/press-release/2014-01-20/international-tourism-exceeds-expectations-arrivals-52-million-2013 8



## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

**Forecast for 2014**

- "The positive results of 2013, and the expected global economic improvement in 2014, set the scene for another positive year for international tourism."
- International tourism arrivals projected to increase 4-4.5%

Source: UNWTO http://media.unwto.org/press-release/2014-01-20/international-tourism-exceeds-expectations-arrivals-52-million-2013 9



## TOURISM INDUSTRY ON THE GLOBAL LEVEL (UNWTO)

- "2013 was an excellent year for international tourism" said UNWTO Secretary-General, Taleb Rifai. "The tourism sector has shown a remarkable capacity to adjust to the changing market conditions, fuelling growth and job creation around the world, despite the lingering economic and geopolitical challenges. Indeed, tourism has been among the few sectors generating positive news for many economies", he added.
- "Against this backdrop, UNWTO calls upon national governments to increasingly set up national strategies that support the sector and to deliver on their commitment to fair and sustainable growth", added Mr. Rifai.

Source: UNWTO http://media.unwto.org/press-release/2014-01-20/international-tourism-exceeds-expectations-arrivals-52-million-2013 10



## TOURISM INDUSTRY ON THE NATIONAL LEVEL

- YTD through June 2013, international visitation up 5.2% percent compared to same period in 2012.
- "For 2013 overall, travel exports increased by 9.1% to a record $180.7 billion dollars. By contrast, other U.S. exports edged up just 2.3% in 2013, much slower than in 2012. As a result … the travel industry generated 25% of the overall increase in U.S. exports in 2013 - not bad for an industry that makes up 8.6% of total U.S. exports."
- 2013 was the 25th consecutive year that the travel and tourism industry generated a balance of trade surplus in the US.

Source: U.S. Office of Travel and Tourism Industries (OTTI), U.S. Travel Association (USTA)

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## CHANGE IN TOP 10 INBOUND INTERNATIONAL MARKETS 2013 vs. 2012, through June

| Country | % Change in Visitors |
|---|---|
| CANADA | +6 |
| MEXICO | -2 |
| UNITED KINGDOM | 0 |
| JAPAN | +3 |
| GERMANY | +1 |
| PR CHINA (EXCL. HK) | +25 |
| BRAZIL | +20 |
| SOUTH KOREA | +7 |
| AUSTRALIA | +10 |
| FRANCE | -1 |

Source: U.S. Office of Travel and Tourism Industries (OTTI) 12

## TOURISM INDUSTRY ON THE NATIONAL LEVEL

- "With world-class destinations and competitively priced goods and services, the U.S. travel industry is attracting a record number of foreign travelers to our shores this year, and their spending while visiting our country is one of the key reasons the travel industry been creating jobs faster than the rest of the economy. To build on this success, we urge policymakers to support critical proposals to boost travel, such as the JOLT Act, which would increase international spending in the United States and create more American jobs."

- JOLT = Jobs Originated through Launching Travel

Source: U.S. Travel Association (USTA)



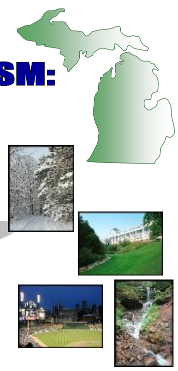
## TOURISM INDUSTRY ON THE NATIONAL LEVEL

- **"Tourism in the US is taxed higher than other industries"**
- "Direct Travel & Tourism taxes in the US represented 3.2% of all taxes collected in 2012. By comparison, Travel & Tourism GDP is 2.7% of the US economy. This means that Travel & Tourism is taxed at a higher rate than the average of the economy by 0.5 percentage points, or a 15% premium over its GDP share."

Source: http://www.wttc.org/research/policy-research/tax-burden-us-travel-tourism/



# MICHIGAN TOURISM:
## A LOOK BACK AT THE YEAR
# 2013



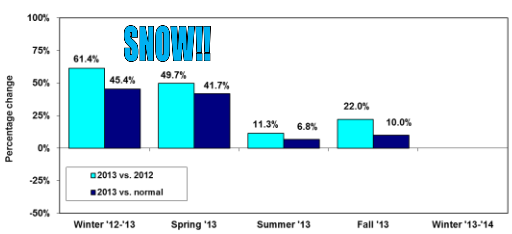


## MICHIGAN TOURISM: A LOOK BACK AT THE YEAR 2013

- Weather
- Consumer confidence
- Hotel data
- Sales and use tax
- CVB taxes and assessments
- Visits to attractions
- Gas prices, traffic counts and bridge crossings



## MICHIGAN TOURISM INDUSTRY INDICATORS: TOTAL PRECIPITATION BY SEASON

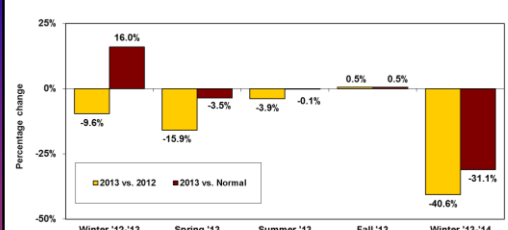



Spring: March, April, May
Summer: June, July, August
Fall: September, October, November
Winter: December, January, February

Source: Midwestern Regional Climate Center.



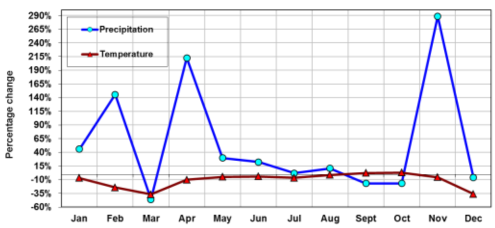
## MICHIGAN TOURISM INDUSTRY INDICATORS: AVERAGE TEMPERATURES BY SEASON




Spring: March, April, May
Summer: June, July, August
Fall: September, October, November
Winter: December, January, February

Source: Midwestern Regional Climate Center.

## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER BY MONTH

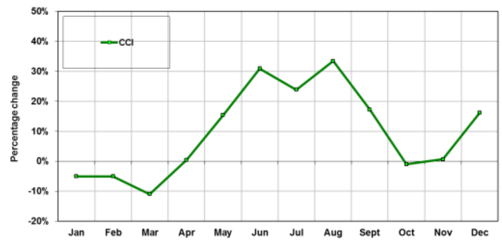



Source: Midwestern Regional Climate Center.

Annual Changes:
Precip. 28.9% Temp. – 8.5%



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 CONSUMER CONFIDENCE INDEX

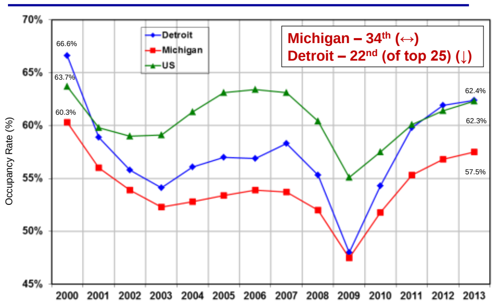



Source: The Conference Board

Average Annual Score: 2012 – 67, 2013 – 73
Annual Change: + 9.17%



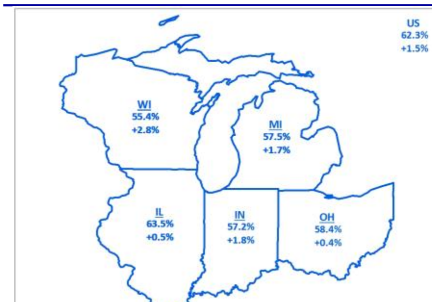
## HOTEL OCCUPANCY: US/MICHIGAN/DETROIT 2000-2013




Source: Smith Travel Research.



## HOTEL OCCUPANCY IN THE US AND MIDWEST: 2013 AND CHANGE IN 2013 v. 2012




Source: Smith Travel Research.



## MICHIGAN TOURISM INDUSTRY INDICATORS 2013 VS 2012 HOTEL DATA

| | Occupancy | ADR | RevPAR |
|---|---|---|---|
| USA | 62.3% (+1.5%) | $110.35 (+3.9%) | $68.69 (+5.4%) |
| Michigan | 57.5% (+1.7%) | $87.40 (+4.5%) | $50.29 (+6.3%) |
| Detroit | 62.4% (+1.2%) | $84.20 (+5.8%) | $52.54 (+7.0%) |

Michigan exhibited the 22nd largest improvement in year-end occupancy of all US states in 2013

Detroit exhibited the 18th largest improvement in year-end occupancy of the 25 largest US markets in 2013

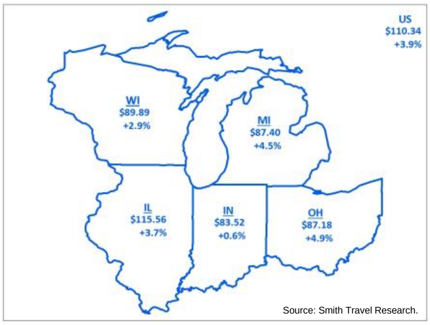
Source: Smith Travel Research.



## MICHIGAN TOURISM INDUSTRY INDICATORS 2009 – 2013 HOTEL DATA

| | Occupancy | ADR | RevPAR |
|---|---|---|---|
| Michigan | | | |
| 2009 | -8.0% | -5.2% | -12.8% |
| 2010 | +10.2% | -1.5% | +8.5% |
| 2011 | +6.9% | +3.0% | +10.0% |
| 2012 | +3.0% | +3.9% | +7.1% |
| 2013 | +1.7% | +4.5% | +6.3% |
| Detroit | | | |
| 2009 | -12.8% | -9.8% | -21.4% |
| 2010 | +14.2% | -5.2% | +8.2% |
| 2011 | +10.2% | +2.9% | +13.4% |
| 2012 | +3.3% | +3.7% | +7.1% |
| 2013 | +1.2% | +5.8% | +7.0% |

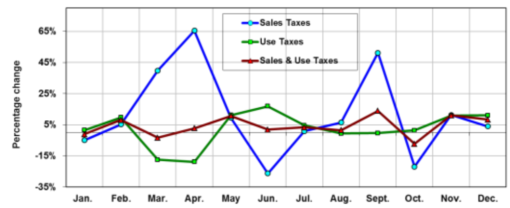
## HOTEL AVERAGE DAILY RATE IN THE US AND MIDWEST: 2013 AND CHANGE IN 2013 v. 2012




Source: Smith Travel Research.



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 MONTHLY CHANGES IN HOSPITALITY TAXES (SIC 701)



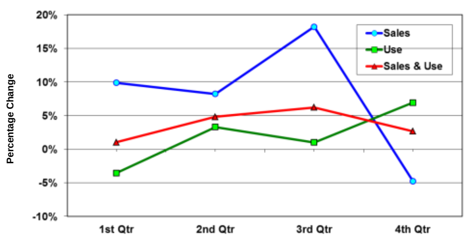

~ our measure of spending ~

Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis.

Annual Changes:
Sales 8.2% Use 2.1%
Sales & Use 4.1%



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 QUARTERLY CHANGES IN HOSPITALITY TAXES (SIC 701)



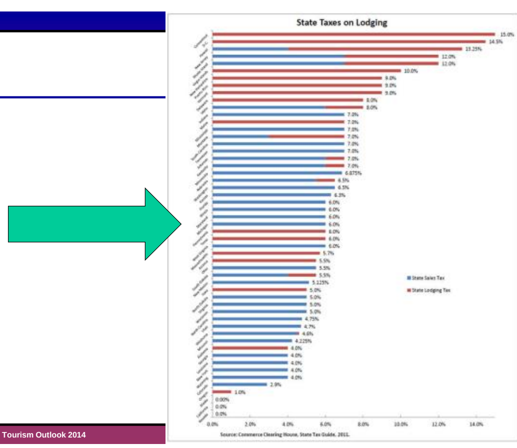

Annual Changes:
Sales 8.2% Use 2.1%
Sales & Use 4.1%

Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis.

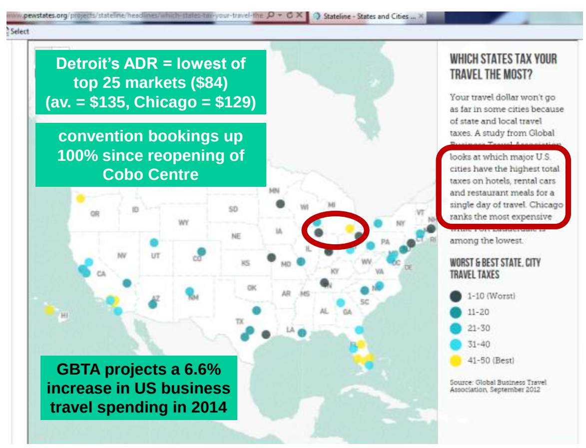


## WHICH STATES TAX TRAVEL THE MOST?

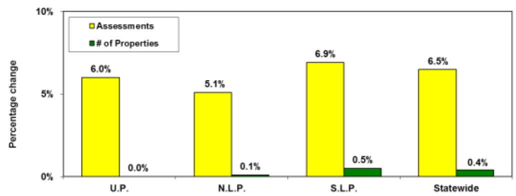






## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES




*** EXCLUDES effects of increases in assessment rates ***

Source: 2014 Dept. of CARRS Survey of Assessments

**n = 32**

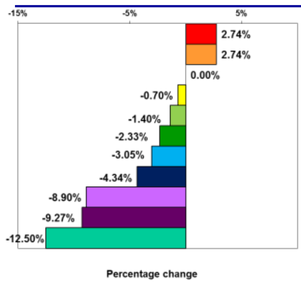


## CVB AD BUDGET ALLOCATED TO OUT-OF-STATE

| | OUT OF STATE (%) |
|---|---|
| 2013 | 45 |
| 2014 | 46 |



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 vs. 2012 VISITS



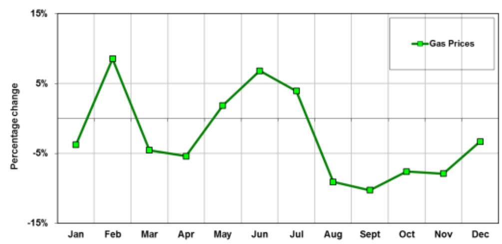

Colonial Michilimackinac
Fort Mackinac
Detroit Tigers
MI State Parks Recreation Passport
All Michigan State Parks (camping)
Isle Royale National Park
Pictured Rocks National Lakeshore
All US NPS
MI State Parks Harbor Reservations
All MI NPS
Sleeping Bear Dunes National Lakeshore

Sources: MI DNR; MI DNR State Historic Parks; US National Park Service.

* new listings always welcome! *



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 GAS PRICES




Source: AAA Michigan.

**Average PPG in MI: 2012 - $3.70, 2013 - $3.60**
**Annual Change: - 2.71%**



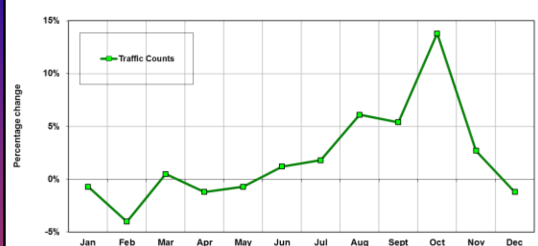
## MICHIGAN HIGHWAY TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2004 | ↓ | ↑ | ↑ | ↑ | ↓ | ↓ | ↑ | ↓ | ↑ | ↓ | ↓ | ↓ |
| 2005 | ↑ | ↓ | ↓ | ↓ | ↑ | No change | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| 2006 | ↑ | ↓ | ↑ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↓ | ↑ | ↑ |
| 2007 | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↑ | ↑ | ↓ | ↓ | ↓ | ↓ |
| 2008 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| 2009 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↓ | ↑ | ↓ | ↑ | ↑ |
| 2010 | ↑ | ↑ | ↑ | ↑ | ↓ | ↓ | ↑ | ↑ | ↓ | ↑ | ↓ | ↓ |
| 2011 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↑ | ↓ | ↑ |
| 2012 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↓ | ↑ | ↓ | ↑ | ↑ | ↑ |
| 2013 | ↓ | ↓ | ↑ | ↓ | ↓ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↓ |

Source: Michigan Department of Transportation.



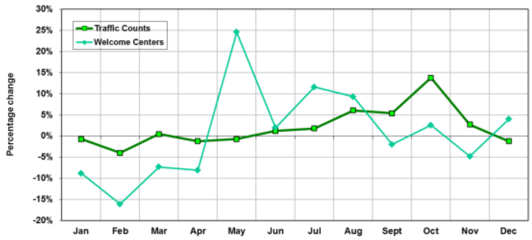
## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 TRAFFIC




Source: Michigan Department of Transportation.

**Annual Change:**
**+ 4.4%**

## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 TRAFFIC + WELCOME CENTERS

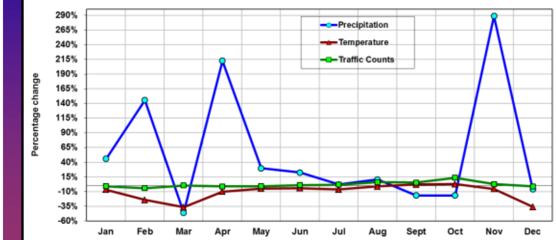



**Annual Change:**
**Traffic + 4.4%, Welcome Centers +2.1%**

Source: Michigan Department of Transportation.



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER AND TRAFFIC

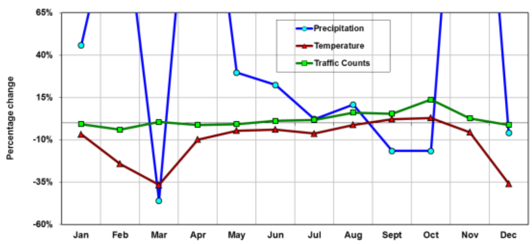



Source: Midwestern Regional Climate Center; Michigan Department of Transportation.

**Annual Changes:**
**Precip. 28.9% Temp. – 8.5% Traffic 4.4%**



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER AND TRAFFIC




Source: Midwestern Regional Climate Center; Michigan Department of Transportation.

**Annual Changes:**
**Precip. 28.9% Temp. – 8.5% Traffic 4.4%**



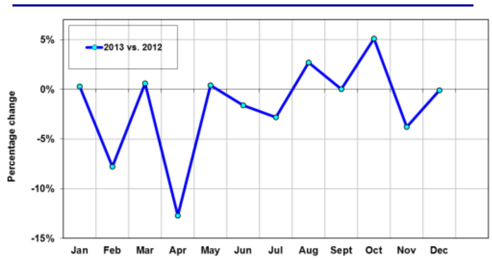
## MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2004 | ↓ | ↑ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↓ | ↓ | ↓ |
| 2005 | ↑ | ↓ | ↑ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| 2006 | ↓ | ↓ | ↓ | ↑ | ↓ | ↓ | ↓ | ↓ | ↑ | ↓ | ↑ | ↑ |
| 2007 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | ↑ | ↑ | ↓ | ↓ |
| 2008 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| 2009 | ↓ | ↓ | ↓ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
| 2010 | ↑ | ↑ | ↑ | ↑ | ↓ | ↑ | ↑ | ↑ | ↓ | ↑ | ↓ | ↑ |
| 2011 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ |
| 2012 | ↓ | ↑ | ↑ | ↑ | ↑ | ↑ | ↓ | ↑ | ↓ | ↓ | ↓ | ↓ |
| 2013 | ↑ | ↓ | ↑ | ↓ | ↑ | ↓ | ↓ | ↑ | ↑ | ↑ | ↓ | ↓ |

Source: Mackinac Bridge Authority.



## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 MONTHLY MACKINAC BRIDGE CROSSINGS

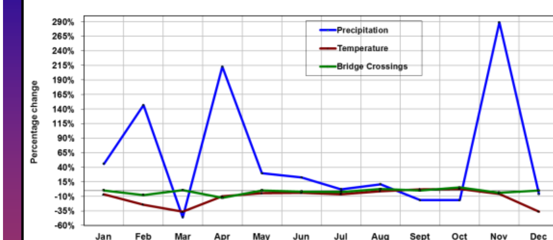



**Annual Change:**
**– 1.1%**

Source: Mackinac Bridge Authority.



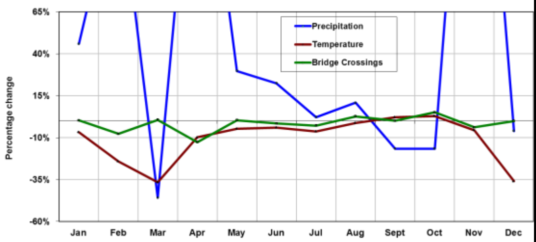
## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER & MACKINAC BRIDGE CROSSINGS




Source: Mackinac Bridge Authority; Midwestern Regional Climate Center.

**Annual Change:**
**Bridge – 1.1% Precip. 28.9% Temp. – 8.5%**

## MICHIGAN TOURISM INDUSTRY INDICATORS: 2013 VS 2012 WEATHER & MACKINAC BRIDGE CROSSINGS




Annual Change:
Bridge – 1.1% Precip. 28.9% Temp. – 8.5%

Source: Mackinac Bridge Authority; Midwestern Regional Climate Center.



## MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

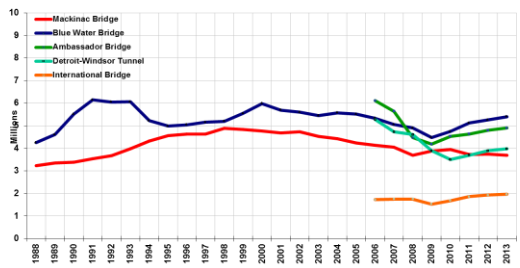
| Year | Count (million) | % from prev. year |
|---|---|---|
| 1994 | 4.333 | + 8.5% |
| 1995 | 4.557 | + 5.2% |
| 1996 | 4.625 | + 1.5% |
| 1997 | 4.626 | 0.0% |
| 1998 | 4.891 | + 5.7% |
| 1999 | 4.836 | - 1.1% |
| 2000 | 4.756 | - 1.7% |
| 2001 | 4.676 | - 1.7% |
| 2002 | 4.733 | + 1.2% |
| 2003 | 4.529 | - 4.3% |

| Year | Count (million) | % from prev. year |
|---|---|---|
| 2004 | 4.427 | - 2.2% |
| 2005 | 4.236 | - 4.3% |
| 2006 | 4.133 | - 2.4% |
| 2007 | 4.054 | - 1.9% |
| 2008 | 3.696 | - 8.9% |
| 2009 | 3.877 | + 4.9% |
| 2010 | 3.948 | + 1.8% |
| 2011 | 3.728 | - 5.6% |
| 2012 | 3.737 | + 0.2% |
| 2013 | 3.696 | - 1.1% |

Source: Mackinac Bridge Authority.



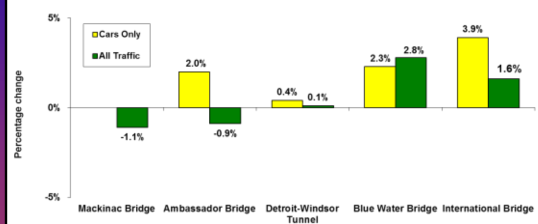
## TRENDS IN TRAFFIC COUNTS ON SELECTED MICHIGAN BRIDGES




Source: Mackinac Bridge Authority; Blue Water Bridge Authority, MDOT, Public Border Operators Association (PBOA).



## TRENDS IN TRAFFIC COUNTS ON MICHIGAN BRIDGES 2013 v. 2012 TRAFFIC




Source: Public Border Operators Association (PBOA) http://www.bwba.org/trafficstats_e.html



## SUMMARY OF MICHIGAN TOURISM INDUSTRY 2013 VS 2012 INDICATORS

- **Weather**: 2013 was wetter (+29%) and colder (-9%) than 2012 (*and wetter (+22%) than normal*)
- **Consumer confidence:** up 9%
- **Hotel occupancy**: up 2%
- **Sales and use tax**: up 4% *(our measure of spending)*
- **Assessments**: up 6.5%
- **Visits to attractions**: variable impact of gov shutdown
- **Gas prices**: down 3%
- **Travel activity** *(as measured by traffic)*:
  - statewide traffic counts up 4.4%
  - Mackinac Bridge crossings down 1%



## OTHER GOOD NEWS AS WE LOOK TO 2014 AND BEYOND

- Pure Michigan
  - 2 Mercury Awards in 2013 (NCSTD) "Pure MI rule"
  - 8 Adrian Awards in Feb 2014 (HSMAI)
  - $4 million additional funding for 2013-14
  - $2 million additional funding (proposed) for 2014-15




## Factors That Impact Our Forecast

- Last year’s results
- Economic indicators
- Tourism trends
- Pure Michigan activity
- CVB projections
- National forecasts
- Misc. issues
- Forecast Advisory Team discussion



## The Forecast Advisory Team

**Participants in 2014 Meeting:**

- Dr. Don Holecek
- Dr. Dan McCole
- Dr. George Moroz
- Dr. Sarah Nicholls
- Michael O’Callaghan
- Tracy Padot
- Dr. Annie Rummel
- Bill Sheffer



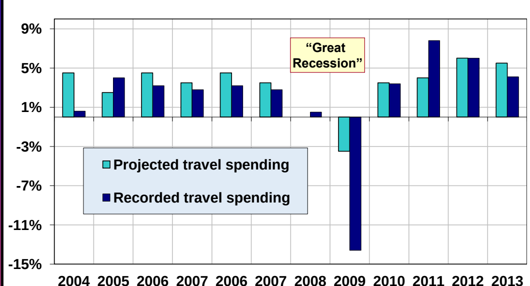
## HOW ACCURATE WERE MSU’S PROJECTIONS FOR MICHIGAN TOURISM IN 2013?

| | 2013 | |
|---|---|---|
| | Projected by MSU | Actual data |
| Travel spending | + 5.5% | +4.1% |
| Travel prices | + 3% | +2% |
| Travel volume | + 3% | 3% |

Source: MSU Department of CSUS; Michigan Department of Transportation; Michigan Department of Treasury; Bureau of Labor Statistics.



## HOW ACCURATE WERE MSU’S PROJECTIONS FOR MICHIGAN TOURISM OVER THE YEARS?




Source: MSU Department of CARRS; Michigan Department of Treasury.



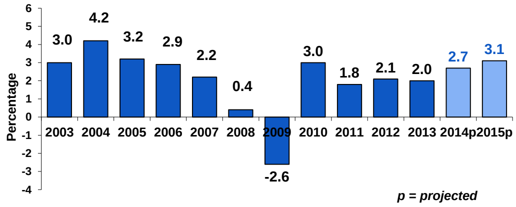
## Economy

**Ability to spend on travel**

and

**Willingness to spend on travel**

## GROWTH OF REAL GDP - UNITED STATES




*p = projected*

Source: RSQE - University of Michigan.



## Stock Markets

| | Dow Jones Industrial Average | Nasdaq Composite | S&P 500 |
|---|---|---|---|
| March 4, 2009 | 6,875 | 1,353 | 712 |
| March 4, 2010 | 10,444 | 2,292 | 1,122 |
| March 4, 2011 | 12,169 | 2,784 | 1,321 |
| March 5, 2012 | 12,962 | 2,950 | 1,364 |
| Mar 7, 2013 | 14,329 | 3,232 | 1,544 |
| Mar 7, 2014 | 16,453 | 4,336 | 1,878 |
| **% change (from Mar 2013)** | **+14.8%** | **+34.2%** | **+21.6%** |
| Record Highs | **16,576** *Dec '13* | **5,048** *Mar '00* | **1,876** *Jan '14* |

Source: Yahoo Finance



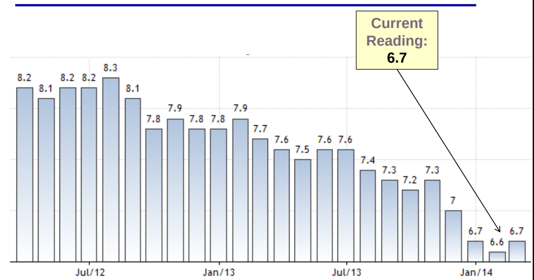
## Currency Exchange Rates Per $1 U.S.

| | Mar 4 2014 | Mar 4 2013 | % change | US $ is… |
|---|---|---|---|---|
| Canadian $ | 1.10 | 1.02 | 7.8% | Stronger |
| Euro | .72 | .76 | -5.3% | Weaker |
| Pound (UK) | .59 | .66 | -10.6% | Weaker |
| Peso (Mexico) | 13.29 | 12.75 | 4.2% | Stronger |
| Yen (Japan) | 101.39 | 93.57 | 8.4% | Stronger |
| Yuan (China) | 6.12 | 6.27 | -2.4% | Weaker |
| Real (Brazil) | 2.33 | 1.97 | 18.3% | Stronger |
| FRB Broad Index | 103.20 (Feb 26, 2014) | 100.76 (Mar 6, 2013) | +2.4% | Stronger |

Source: Currencies - www.oanda.com; Federal Reserve Bank.



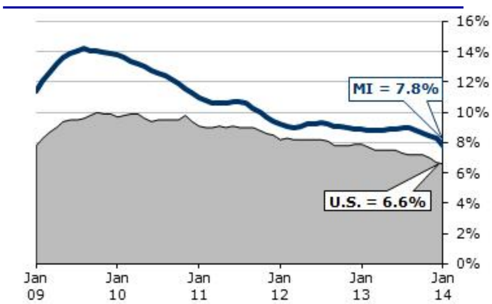
## U.S. Unemployment




Source: The Bureau of Labor Statistics; TradingEconomics.com



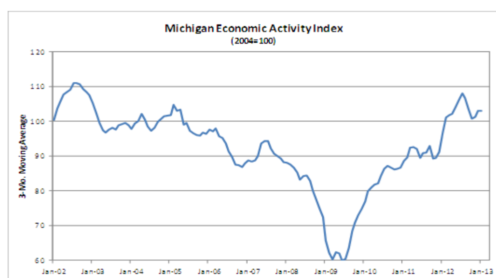
## Michigan Unemployment



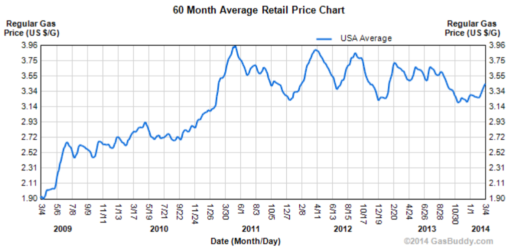

Source: Michigan Department of Labor & Economic Growth



## Comerica Banks
## Michigan Economic Activity Index



## Gasoline Prices

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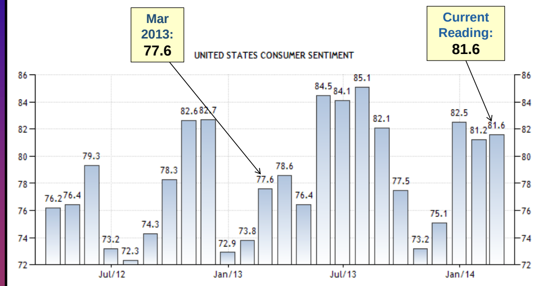
## Consumer Confidence Index

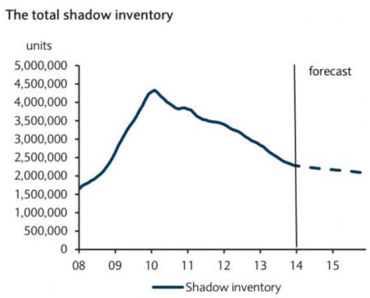



Source: The Conference Board; TradingEconomics.com

62



## Housing: Shadow Inventory




Source: Barclays Research

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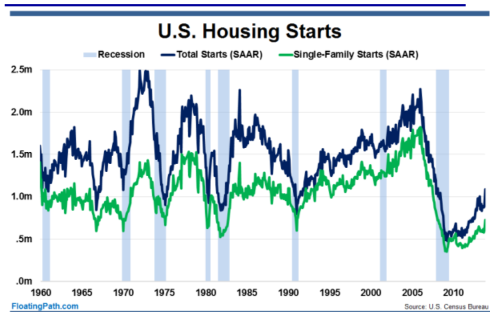
## Housing




64



## Housing

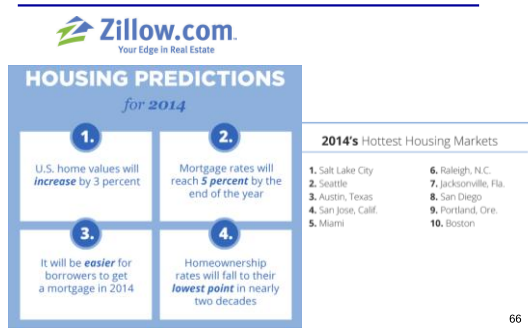
- Delinquencies will continue to improve
- Sub-Prime Borrowers: dropped by half since recession
- Detroit-Livonia-Dearborn Metro Area
  - Median home price ($51,000) is lower than median family income ($54,000)
  - 4 year forecast of home prices: + 33.1%

Source: Case Shiller

65



## Housing: 2014 Forecast



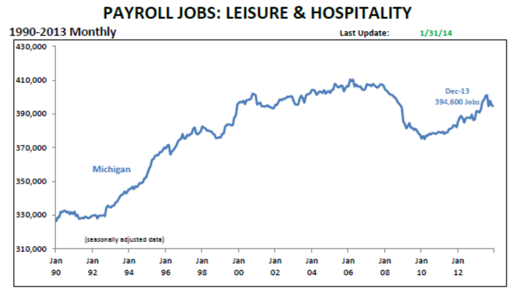

66

## Housing: 2014 Forecast

### National Association of Realtors




## Key Labor Market and Economic Metrics




Source: USTA: Bureau of Labor Market Information, Current Employment Statistics (CES)



## Summary of the Economy

- GDP ↑
- Stock Markets ↑
- Unemployment ↓
- Consumer Confidence ↑
- Strength of Dollar ↑
- Housing ↑
- Michigan Economic Activity ↑

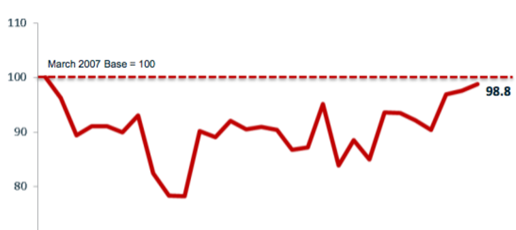


## Summary of Economy

- Better than this time last year on all measures
- Many Americans are still hurting economically, but not the ones who tend to travel
- As it relates to tourism, little in the economy points to a downturn in ability and willingness to spend



## USTA's Travel Dashboard




| | Mar 07 | Apr 07 | Jun 07 | Aug 07 | Oct 07 | Dec 07 | Feb 08 | Apr 08 | Jul 08 | Oct 08 | Feb 09 | Apr 09 | Jul 09 | Oct 09 | Feb 10 | Apr 10 | Jul 10 | Oct 10 | Feb 11 | Apr 11 | Jul 11 | Oct 11 | Feb 12 | Apr 12 | Jul 12 | Oct 12 | Feb 13 | Apr 13 | Jul 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TSI | 100 | 96.2 | 89.4 | 91.1 | 91.1 | 90.0 | 93.0 | 82.4 | 78.3 | 78.2 | 90.2 | 89.1 | 92.1 | 90.5 | 91.0 | 90.4 | 86.7 | 87.2 | 95.2 | 83.9 | 88.5 | 85.0 | 93.6 | 93.5 | 92.2 | 90.4 | 96.9 | 97.6 | 98.8 |

Source: USTA: MMGY Global



## Tourism Trends

## Tourism… It's a Good Industry to Be in Right Now

- Growing demand
- Increasingly vital part of economy
- Important (and resilient) employer
- Growing recognition among government officials

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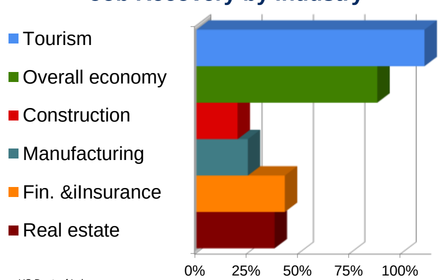
## Twice as many Americans prioritize saving for travel compared to saving for a car or hobbies.

Source: US Travel Association



## Tourism… It's a Good Industry to Be in Right Now

### Job Recovery by Industry




Source: US Dept .of Labor

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## Tourism… It's a Good Industry to Be in Right Now

Tourism is responsible for 1/8 of all American jobs

Tourism is a top 10 employer in 48 U.S. States (and D.C.)

Source: US Dept .of Labor

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## Tourism… It's a Good Industry to Be in Right Now

### Lobbying Efforts

- Shorter Visa Waits
- Promotion Funding
- Visa Waiver Program
- Reducing hassles for travelers
- More efficient entry process
- Gov't meetings and conferences
- Economic Impacts

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## Tourism… It's a Good Industry to Be in Right Now

### Tourism is Telling its Story Better

31 States have raised state tourism budgets since 2010

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## Tourism is Telling its Story Better

USTA has been successful at producing studies that generate publicity

**Headlines:**

- Travel improves educational attainment & future success
- Travel can make you healthier
- Travel reduces stress
- Travel brings families closer together
- Family trips create lasting memories
- Travel can improve your sex life

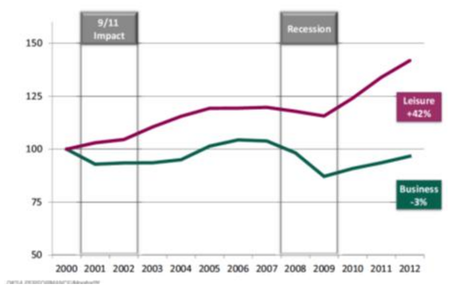


# Leisure travel is leading tourism growth

Source: US Travel Association

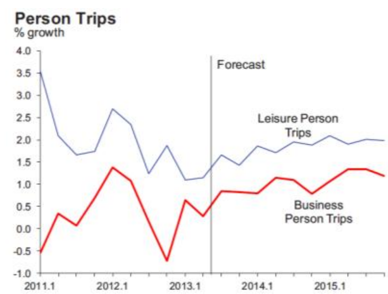


## Growth Is Being Led by Leisure Travel



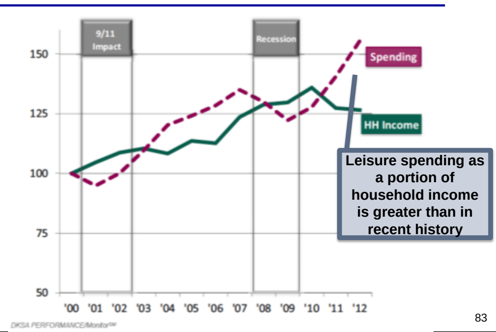



## Growth Is Being Led by Leisure Travel



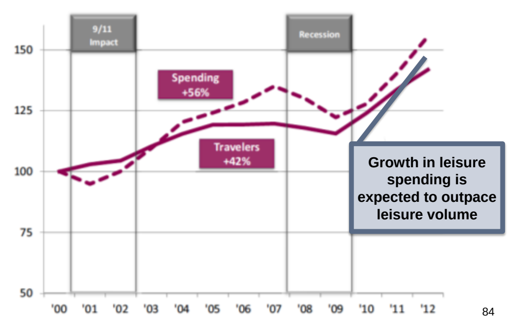



## Leisure Traveler Spending and Median Household Income






## Leisure Traveling and Spending

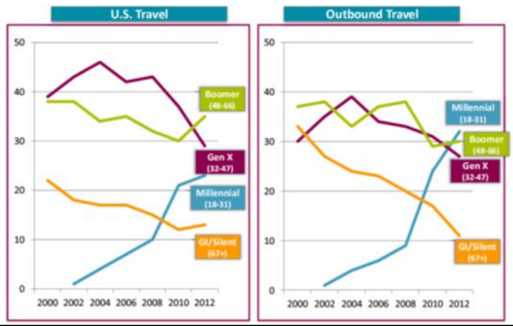


## Top Leisure Destinations - States


Source: DKSA Performance/Monitor

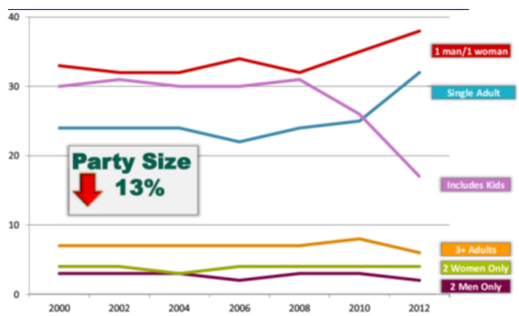


## Generation Share of Leisure Travel






## Leisure Travel Party Composition




Source: DKSA Performance/Monitor



## Leisure Travel Summary

- Greater increase in growth of overnight leisure travel than day leisure travel
- Decrease in economy hotel/motel; increase in high-end and mid-level
- Length of stay down 10% since 2000
- Expect continued slide in party size and length of stay (except in Michigan)
- Leisure traveler is looking for simplicity (road trips and national parks are hot)

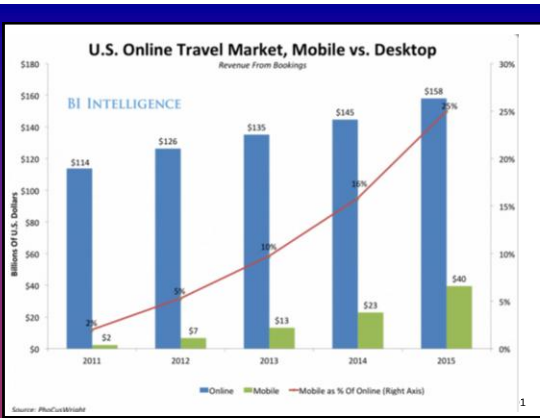


## Consumers Control the Transaction!

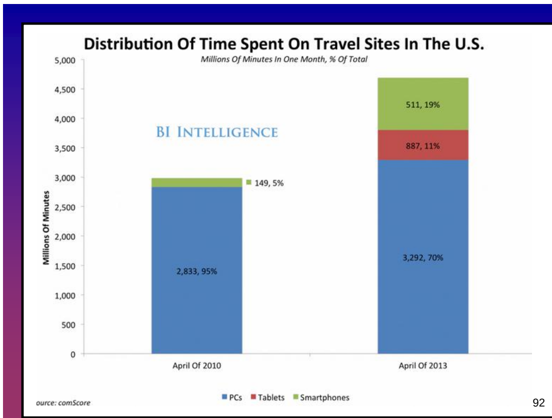
- Recession changed consumers' value calculation for discretionary spending.
- Technology impacts travel planning and purchase behavior.
- Consumer is smarter and better informed to make travel decisions than ever.
- Shift from the pre-recession habits of wild consumption.
- Destinations and businesses must communicate points of differentiation and value propositions.



## Continued Importance of Mobile








22% of Americans
*(and 30% of females)*
would give up sex
before they would
give up their phones.



## Are you prepared to provide exceptional experiences for these people?

**Common complaints of mobile users:**

- Lack of wi-fi and 4G
- User experience design



## Increasing Trend Among Leisure Tourists

# Authentic
# &
# Local



# "Authentiseeking"




## Social Media and User-Generated Review Sites Help Travelers Find Authentic Places

foursquare
facebook
Instagram
tripadvisor
CHOWHOUND
oyster hotel reviews
twitter
yelp
Pinterest



## The rise of peer-to-peer travel

Is it here to stay?



## Peer to Peer Travel

- Airbnb
- Eatwith.com
- RelayRides.com
- Vayable.com

**Rent a room in a stranger's house**

**Eat a meal in a stranger's house**

**Rent a stranger's car**

**Pay a stranger to give you a tour.**

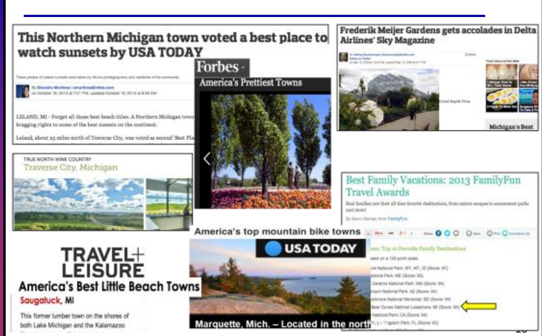


## Segments to Watch

| Millennials (ages 18-33) | Multi-generational Travel | Silver Economy | Urban Chinese Middle Class |
|---|---|---|---|
| Starting to enter their peak earning & spending years | ~40% of families went on a multi-generational vacation<br><br>Milestone events are big | 10,000 boomers turning 65 each day.<br><br>Many have the time and money to travel | In 2000: 4%<br><br>In 2012: 66%<br><br>In 2022: 75% *(That will be 630 million)*<br><br>Today: 2.3 million Chinese with wealth of 10 million RMB *($1.65 million U.S.)* |



## Continued Positive Publicity for Michigan



# Forecast

Chattanooga Times Free Press Bennett

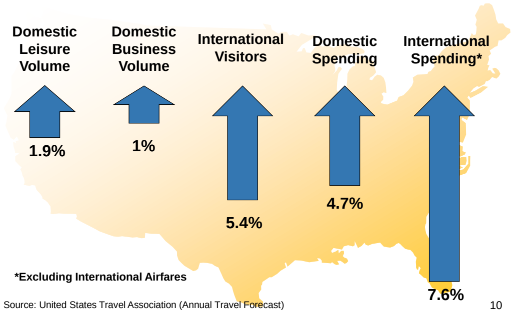


## What do CVBs Think Will Happen to Room Assessments? (CVB Survey Results)

| | 2013 Projections | 2013 Actual | 2014 Projections |
|---|---|---|---|
| Upper Peninsula | +3.8% | 6.0+% | +2.2% |
| Northern Lower P. | +4.0% | +5.1% | +1.1% |
| Southern Lower P. | +3.0% | +6.9% | +4.0 |



## USTA FORECAST FOR U.S. TRAVEL IN 2014

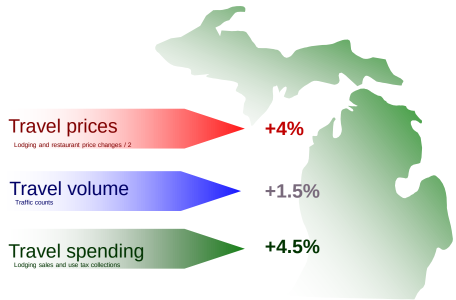



*Excluding International Airfares

Source: United States Travel Association (Annual Travel Forecast)



## MSU GROWTH PROJECTIONS FOR MICHIGAN TOURISM IN 2013






## THE WILD CARDS

- Weather!
- Sharp spike in gas prices
- U.S. markets/economy
- War / terrorism



## CONTACT INFORMATION

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