February 2009

California Travel and Tourism Commission Research Bulletin

Checking on Travel Intentions – Now that some months have passed since the credit crisis hit in the fall, we thought we'd check in with leisure travelers from around the country and gauge their travel intentions for California. We segmented the results by state of traveler origin and grouped results into "in-state" travel, "primary markets" (WA, OR, AZ, NV, UT and CO), and "national markets" – all the rest. The top line results are in the chart below.

Likelihood to Travel to California in the Next Year

Projected Travel	Spring 08	Fall 08	Jan 09
Primary	50.4%	44.7%	47.8%
National	18.1%	20.1%	20.3%
In-State	78.8%	71.0%	74.4%

Source: Strategic Marketing & Research, Inc.

Some general conclusions can be drawn. First, travel intentions remain relatively high for Californians and residents of our primary western markets who meet our target criteria – they have engaged in leisure travel in the last year and have a household income of $75,000 or more. Three quarters of such Californians and nearly half of these residents from the western states plan to visit in 2009. Second, travel intentions in January 2009 were stronger than they were in November 2008 for these same markets. Some of the change may be attributed to seasonality, but it is likely that the shock of the fall crisis has softened, at least when it comes to planning for a vacation to California.

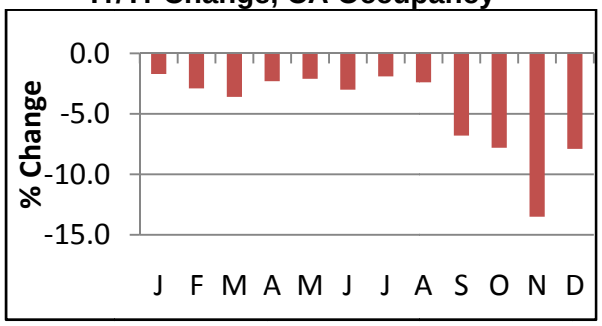
Spending Less, Staying with Friends and Family – The other conclusion to be drawn from the chart above is that travel intentions in January 2009 were weaker than in spring of 2008. And, according to the results of both our own research and that of travel consulting group Destination Analysts, a rebound in the near future is unlikely. Among our survey sample, 19% said they would take fewer trips in the next 12 months than in the last year, and Destination Analysts found the same to be 22%. Respectively, 28% and 29% said they planned to spend less money on leisure travel in the next 12 months. Additionally, 23% in our survey said they planned to stay with friends and family instead of in paid accommodations. Other findings for the coming year from the CTTC survey: 18% will choose destinations closer to home, 16% will take shorter trips and 23% will choose to drive instead of fly. The full Destination Analyst report can be accessed at www.destinationanalysts.com.

Hotels Feeling the Crunch – Lodging data for the month of December and for year-end 2008 was released by Smith Travel Research last week. **Link to report at tourism.visitcalifornia.com.** Occupancy rates and average room rates tell a pretty bleak story for the last quarter of 2008. Statewide occupancy rates dropped close to 8% in October and December and were down 13.5% in November. Room rates, which had grown steadily for the last several years, were actually lower in October, November and December of 2008 than in 2007. Please see charts on the following page for details.

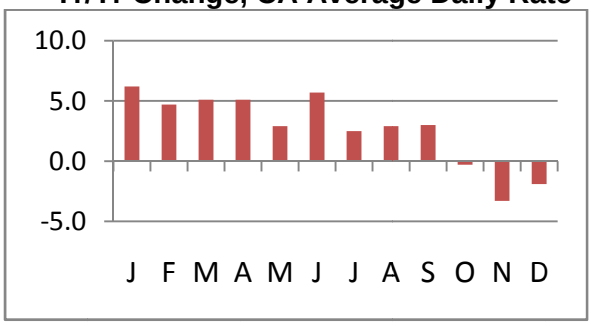
December and Year-End Data

December occupancy for California hotels was 50.8%, down 7.9% from 2007. Year-end occupancy totaled 66.0%, down 4.5% from last year's mark of 69.1%. Room rates averaged $108.45 in December, down 1.9% year over year. ADR for the year was $122.62, up 2.8% from 2007. The U.S., comparatively, saw a 6.8% decline in occupancy in December and finished the year with occupancy of 60.4%, down 4.2% from 2007. ADR was down 3.2% in the U.S. in December, and U.S. hotels finished the year with an ADR of $106.55, up 2.4% from year-end 2007.

Yr/Yr Change, CA Occupancy



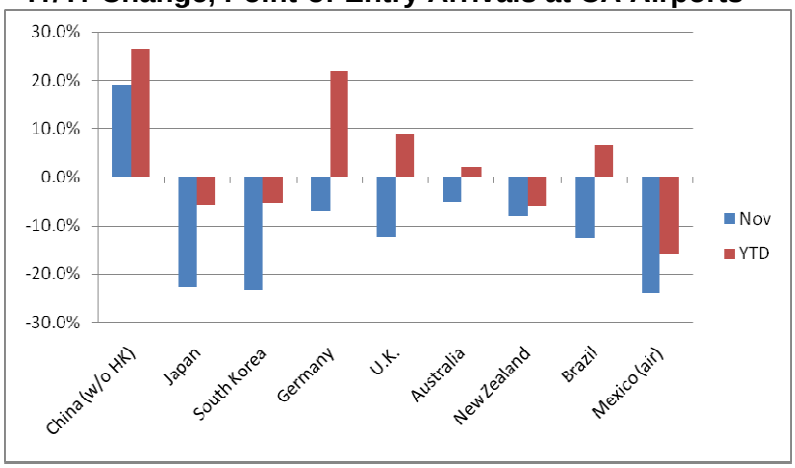
Yr/Yr Change, CA Average Daily Rate



Source: Smith Travel Research

International Arrivals at California Ports of Entry (November 2008) – The effects of the global economic crisis caught up with inbound travel from overseas markets in October and November. Point-of-entry arrivals at all California airports were down 12.5% year over year in November; LAX saw decreases of 11.6% and SFO arrivals were down 14.2%. The U.S. as a whole was down 5.6% for the month. Year to date, California POE arrivals were still up 5.4%, compared to a 7.0% increase for the U.S. **Link to report at tourism.visitcalifornia.com**. As indicated in the graph below, POE arrivals were down in November for every top market other than China. Arrivals from our top Asian markets, Japan and South Korea, as well as from Mexico, were especially hard hit as the autumn downturn in those economies suffered without the compensation of strong exchange rates that mitigated the decrease in arrivals from Europe. The relative strength of the Australian economy is reflected below as well.

Yr/Yr Change, Point-of-Entry Arrivals at CA Airports



Source: OTTI, CIC Research Inc., CTTC Research

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