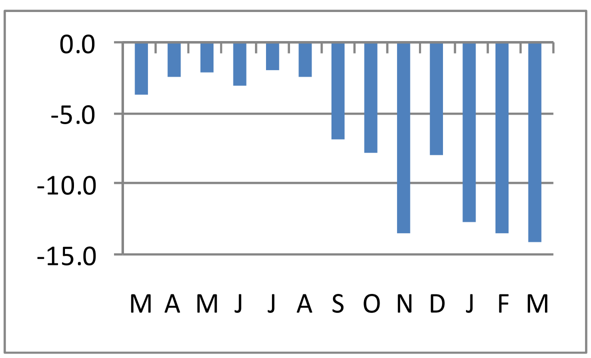
May 2009

California Travel and Tourism Commission Research Bulletin

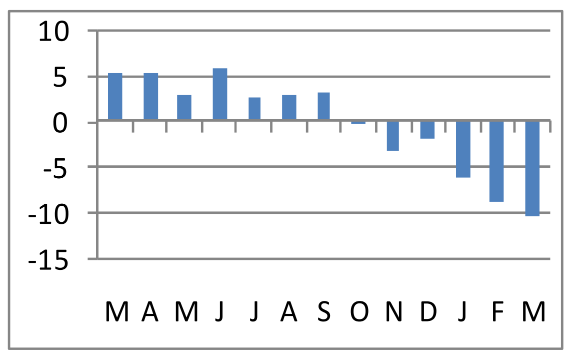
Influenza H1N1 and Travel – These are undeniably difficult times for the tourism industry. Last November, the average occupancy rate for California hotels was 56.2%, lower than the 57.6% mark measured in November, 2001 just two months following 9/11. Now on top of the debilitating effects of this sour economy has come the emergence of a flu epidemic. The ill effects on the travel industry were felt at first by Mexico, where the flu epidemic began. Now, although the Centers for Disease Control (CDC) and U.S. State Department have lifted their travel alert for travel to Mexico, fear of the flu remains – and with reason. The World Health Organization (WHO) currently rates the H1N1 virus 5 out of 6 in terms of transmissibility and the United States has 4,700 reported cases – more than half of the 8,451 cases suspected worldwide. Even before the number of cases reported in Japan jumped from 4 to over 120 recently, tour operators in the country reported significant cancellations in travel to the U.S. Similar news has emerged from South Korea and China. For now, cancellations are primarily for travel in May and June, with people waiting on travel decisions for July and August. CTTC plans to maintain aggressive marketing to best sustain travel during these vital months.

The Lodging Report (click for full report) – California occupancy dipped below 60% in March to 59.3%, which was 14% lower than March 2008. Year to date occupancy measured 56.1%, down a similar 13.5% from just a year ago. And, ADR continue to steepen its year over year decline as the industry tries to bolster occupancy. The $110.34 ADR in March was off 10.6% from last year's mark of $123.43. Year to date ADR is off 8.8%, down from $122.46 last year to $111.69 for the first quarter of 2009.

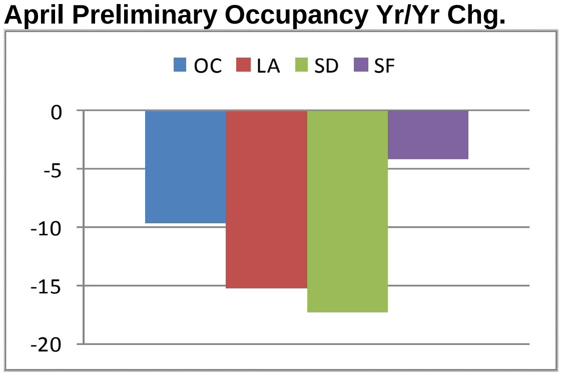
California Occupancy, Yr/Yr Chg.



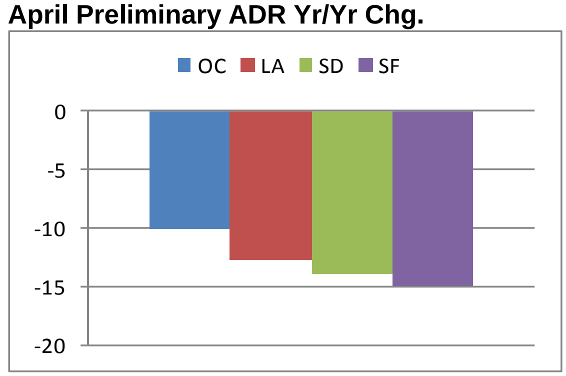
California Average Room Rates, Yr/Yr Chg.



April Preliminary Occupancy Yr/Yr Chg.



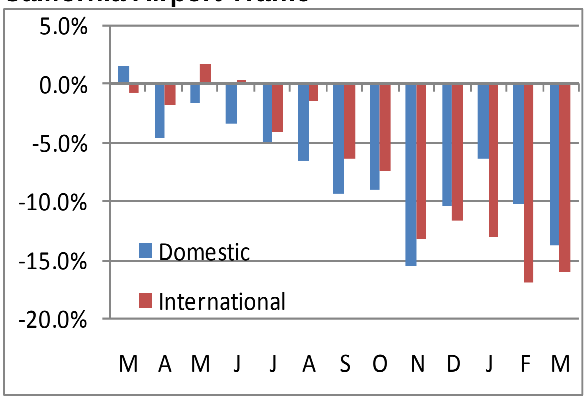
April Preliminary ADR Yr/Yr Chg.



Source: Smith Travel Research

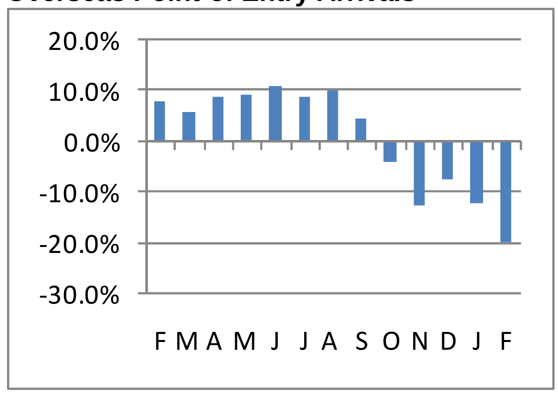
Airport passenger traffic (click for full report) at California airports declined 15% in March 2009 vs. 2008. The decline was led by reduced traffic on international flights (-16%) for the fourth consecutive month, though domestic traffic was also off nearly as much (-14%). Overseas point-of-entry arrivals, a measure of foreign resident customs processing at California airports, were down 20% in February.

California Airport Traffic



Source: Individual airports, CTTC

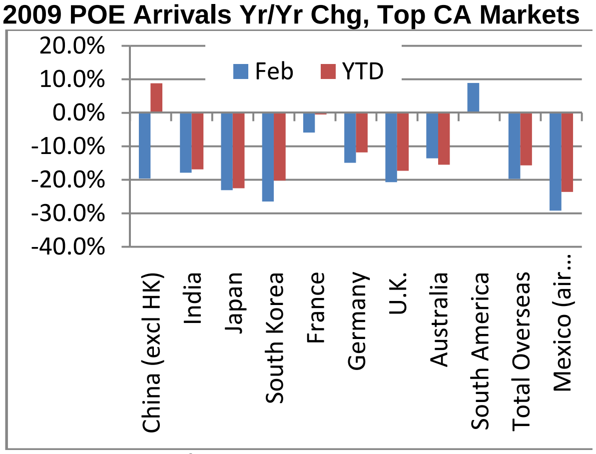
Overseas Point-of Entry Arrivals



Source: US Dept. of Commerce

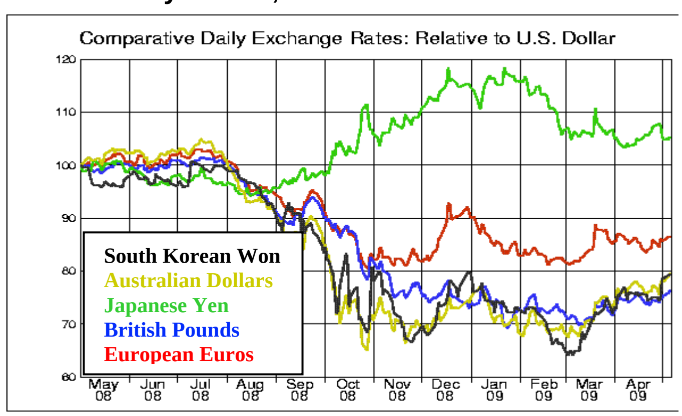
Overseas Markets (click for full report) – In February, point-of-entry arrivals from all of California's top markets declined year over year with the exception of South America. Even China, which has been a travel juggernaut of late, posted a loss of 20% for the month – though year to date arrivals from China are up nearly 10%. Among currencies, the Japanese Yen continues to hold value.

2009 POE Arrivals Yr/Yr Chg, Top CA Markets



Source: US Dept. of Commerce

Currency Values, 12 Month Trend



Source: University of British Columbia

Outlook – A number of predictions for summer travel have been recently released, with the news ranging from pessimism to moderate optimism. A poll by Gfk Roper Public Affairs & Media conducted in April reported that 42% of Americans plan to travel for leisure this summer, down from a mark of 49% in 2005. The U.S. Travel Association, however, forecasts just a 2.2% decline in summer leisure travel compared to a year ago. Whatever the case, travel spending will likely be down more than travel volume, and people will be taking shorter trips that are closer to home. People will also be looking to save by driving instead of flying, and by staying with friends and family instead of in hotels. Data show they can be swayed by deals, however.

Detailed data reports are available at tourism.visitcalifornia.com/research.

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