Tourism Industry

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The Tourism Industry in Hampton Roads

Hampton Roads offers numerous attractions that draw visitors to the region, including the oceanfront and many historic treasures. The region also hosts world-renowned theme parks, sporting events, festivals, and cultural events, as well as performing arts, concerts, and conventions that support its tourism industry.

Tourism expenditures are an important part of the region’s economic fabric as it, in addition to the defense industry and port activities, accounts for the lion’s share of new dollars flowing into Hampton Roads. The outside dollars generated by the tourism industry are essentially an “export” of the region’s amenities, sustaining the regional economy through indirect and induced investments.

Leisure and hospitality employment has slightly increased its share of employment over the years, indicating that it has been outpacing the regional economy, however it dropped significantly in 2020 due to the impacts from COVID-19, which heavily affected the tourism industry. It is difficult to determine the exact share of employment in leisure and hospitality that derives from tourism, but the density of employment in those industries is higher in Hampton Roads than in many of the region’s reference metropolitan areas.

Estimates made for the Virginia Tourism Corporation indicate that tourism spending reached a new peak in 2019, with Hampton Roads hotel revenues surpassing their 2007 inflation-adjusted peak handily for the fourth year in a row. This was due to both the recovery from the Great Recession across the nation and efforts across all tourism destinations to attract visitors. Following record highs in 2020, it is clear that the pandemic had a chilling affect on the tourism industry, which is sure to be reflected when 2020 tourism spending data is released.

As the national economy recovers from the COVID-19 pandemic and regains strength, it should help increase tourism expenditures in Hampton Roads, given no additional stay-at-home measures are issued that bars travel and therefore spending in the region. Many of the indicators included in this section do not have pandemic impacts because of lags in data availability.
**Figure 5.1 Employment in the Hampton Roads Leisure and Hospitality Industry**

**Why is it important?**
The economic impact of the leisure and hospitality industry can be measured through the number employed in the industry regionally.

**How are we doing?**
While it declined slightly during the Great Recession, employment in the Hampton Roads leisure and hospitality industry has grown over the past 30 years. The toll COVID-19 had on the industry was heavy however, causing a loss of over 18,000 jobs from the end of 2019 to 2020, and dropping the share of regional employment in leisure and hospitality to 10%.

Source: Bureau of Labor Statistics, HRPDC

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**Figure 5.2 Employment Share of the Leisure and Hospitality Industry**

**Why is it important?**
The intensity of employment in the leisure and hospitality industry indicates where Hampton Roads places among other comparable metropolitan areas with relation to dependence on tourism.

**How are we doing?**
While Las Vegas and Orlando have exceptionally high levels of leisure and hospitality employment density, Hampton Roads derives a greater share of its employment from that industry than most of its competitor cities.

Source: Bureau of Labor Statistics, HRPDC
Figure 5.3 Hampton Roads Seasonally and Inflation-Adjusted Taxable Hotel Sales

Why is it important?
The taxable hotel sales provide a measure of the number of visitors staying in Hampton Roads, as a significant percentage of the region’s tourists stay in resorts.

How are we doing?
The taxable hotel revenues experienced a decline and prolonged stagnation after the Great Recession, and has been steadily rising since the end of 2013. The end of 2019 and start of 2020 saw seasonally and inflation adjusted hotel sales finally pass pre-recession levels of late 2007, but COVID-19 caused steep declines. Total sales are increasing, but are still at record lows.

Source: Virginia Department of Taxation, HRPDC

Figure 5.4 Tourism Expenditures in Hampton Roads

Why is it important?
The Virginia Tourism Corporation produces estimates of the economic impact of tourism in the Commonwealth. As part of this estimate, it attempts to measure the expenditures of tourists in each locality. This indicates the outside dollars that tourists bring into the regional economy.

How are we doing?
Tourism spending rose to $5.25B in 2019, or 5.1% of regional GDP. This would indicate that tourism is a significant driver of the regional economy. These numbers do not reflect the impact of COVID-19 on Hampton Roads.

Source: Virginia Tourism Corporation, HRPDC
**Figure 5.5 Local Tax Revenues from Tourism in Hampton Roads**

*Why is it important?*
Another important measure of the economic impact of tourism looks at the extent to which tourism supports local government services. Often, tax revenues from tourism support broader government services and special projects related to the tourism industry.

*How are we doing?*
Local tax collections from tourism increased to $189 million in 2019—representing a 6.3% increase from 2006 when adjusted for inflation. 2019 was the fourth year in a row these collections are greater than before the Great Recession, but do not include impacts from COVID.

![Hampton Roads Local Tax Collections from Tourism (Inflation-Adjusted)](chart)

Source: Virginia Tourism Corporation, HRPDC

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**Figure 5.6 Room Supply Growth in Hampton Roads and U.S.**

*Why is it important?*
Room supply growth measures the growth of tourism capacity in the region. It also measures developers’ expectations of future tourism conditions since investing in hotel rooms signals confidence in the future of the market.

*How are we doing?*
Supply declined in the United States, Virginia, and Hampton Roads in 2020 due to the impacts of the pandemic—but supply in Hampton Roads declined at a much lower rate than the rest of the U.S. and Commonwealth. Supply did decline in Hampton Roads in 2019 as well after growing slightly in 2018.

![Growth in Room Supply](chart)

Source: Smith Travel Data, HRPDC
**Figure 5.7 Total Hotel Revenues in Hampton Roads**

**Why is it important?**
Measuring annual hotel performance allows for another perspective on the performance of the hotel industry. Healthy hotels have the ability to reinvest in amenities and upgrades maintaining Hampton Roads’ stature as a premier tourism destination.

**How are we doing?**
Hotel revenues have been increasing steadily since 2014, hitting a plateau in 2018 and 2019, indicating a stagnating recovery in the tourism industry post-Great Recession. Impacts from the pandemic were severe, causing a 35% decline in revenue from 2019 to 2020.

*Source: Smith Travel Data, HRPDC*

**Figure 5.8 Room Revenue Growth in Hampton Roads, Virginia, and the U.S.**

**Why is it important?**
Growth in room revenue indicates revenue growth from room rentals and related sales. While hotels generate revenue from other services, this serves as a measure of tourism growth in the region.

**How are we doing?**
The COVID-19 pandemic severely impacted room revenue across the nation. There was a nearly 50% decline in the U.S. and the Commonwealth, but only 35% in Hampton Roads, showing again that the tourism industry was not hit nearly as hard regionally as it was elsewhere in the country.

*Source: Smith Travel Data, HRPDC*