# Section V

# 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 many 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. It is difficult to determine the exact share of employment in leisure and hospitality that derives from tour-ism, 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 has reached a new peak, but Hampton Roads hotel revenues have yet to meet their 2007 inflation-adjusted peak. This is due to both the continued economic recovery across the nation and efforts across all tourism destinations to attract visitors. Additionally, shrinking federal budgets have reduced business travel and hotel stays throughout the region.

As the national economy regains strength, it should help increase tourism expenditures in Hampton Roads. However, growth will be modest to some degree as the region's tourism industry is mature in nature.

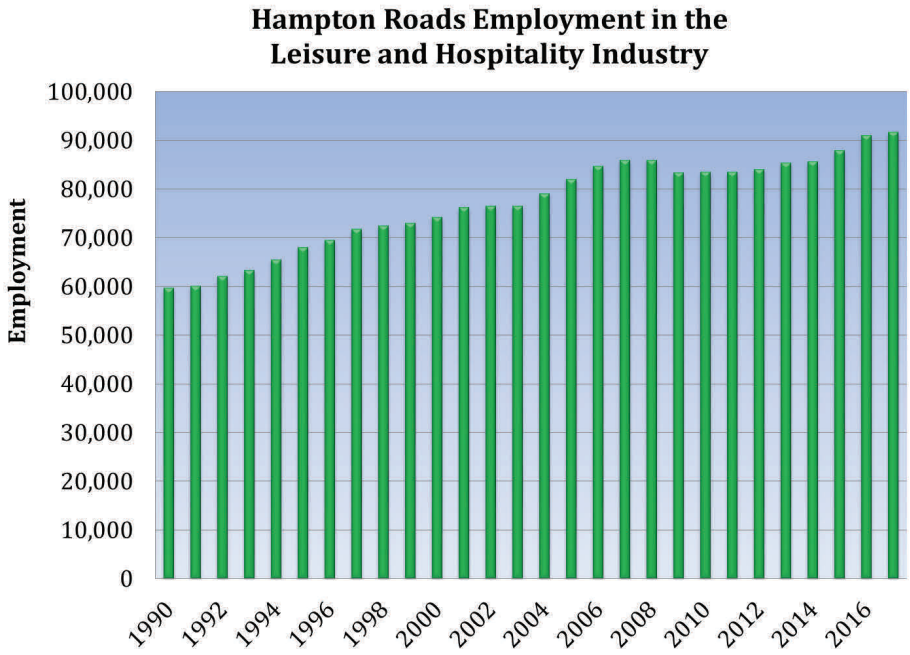
# Figure 5.1 Employment in the Hampton Roads Leisure and Hospitality Industry

### Why is it important?

The economic impact of the leisure and hospitality industry can be measured through the number employed in the industry regionally.

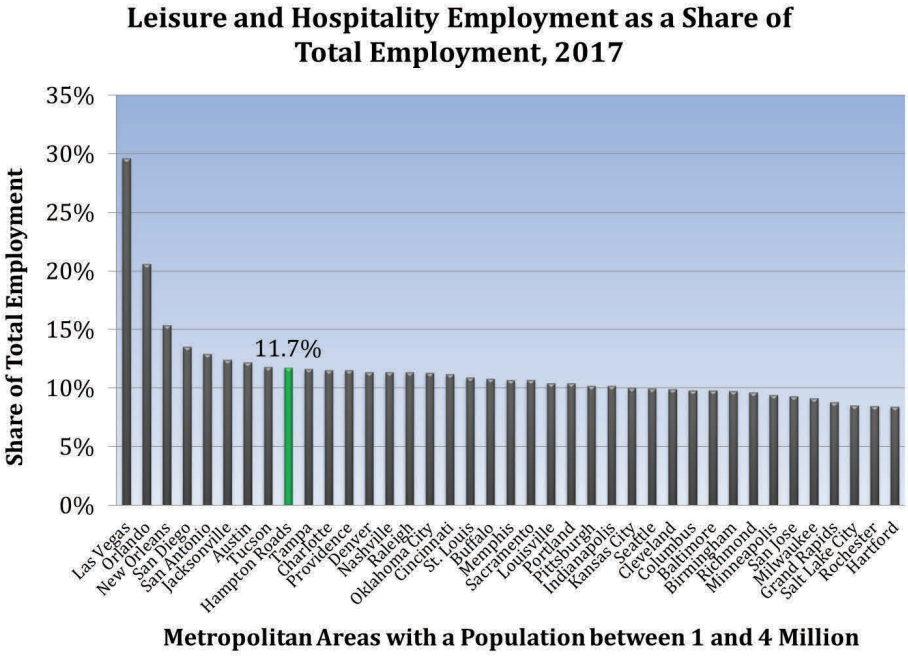
### How are we doing?

While it declined slightly with the recession, employment in the Hampton Roads leisure and hospitality industry has grown over the past 23 years, and has increased from 9.8 percent of regional civilian employment to 11.7 percent of employment, indicating that it has increased not only in absolute terms, but also in relative terms for the economy.




Source: Bureau of Labor Statistics, HRPDC

# 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

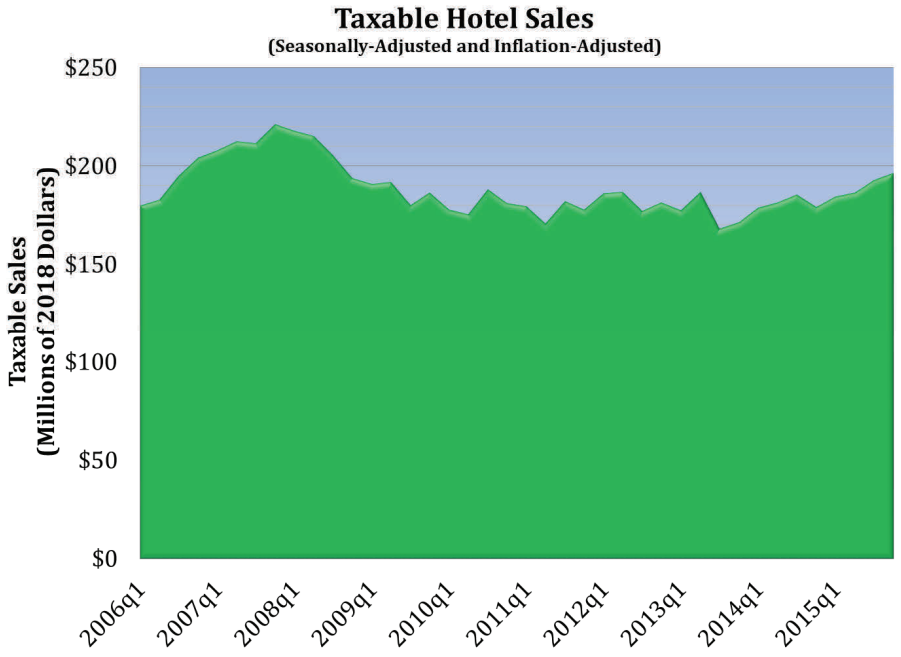
## Figure 5.3 Hampton Roads Seasonally and Inflation-Adjusted Taxable Hotel Sales

### Why is it important?

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?

Taxable hotel revenues have seen a decline since 2007 when adjusted for inflation, indicating the weakness in the tourism market stemming from the Great Recession. The initial decline was a result of the economic weakness and budget cuts to the DoD. In 2017, hotel sales were 1.7% below their pre-recession peak.




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 $4.9B in 2017, or 5.1% of regional GDP. This would indicate that tourism is a significant driver of the regional economy.

Source: Virginia Tourism Corporation, HRPDC

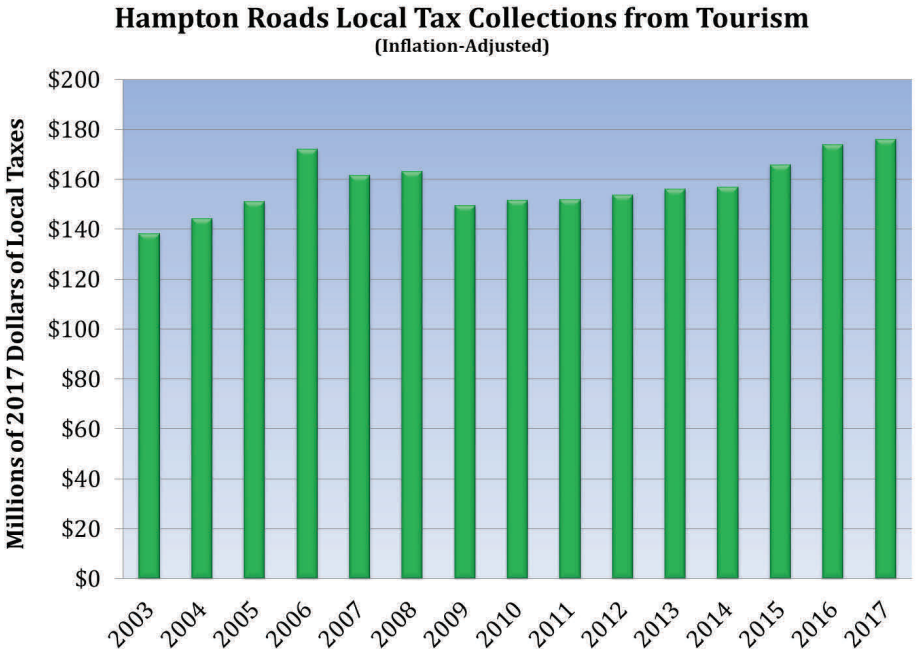
## Figure 5.5 Local Tax Revenues from Tourism in Hampton Roads

### 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 services of the government and special projects related to the tourism industry.

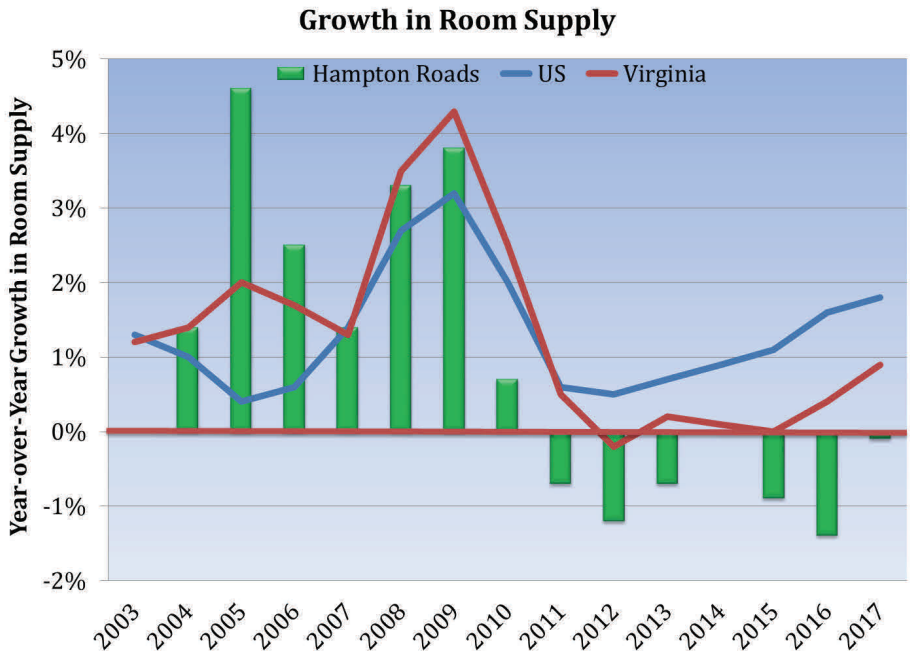
### How are we doing?

Local tax collections from tourism increased to $161 million according to estimates by the Virginia Tourism Corporation. Local tax collections grew by 1.2% to $176.1 million in 2017, though this is only a 2.2% increase from 2006 when adjusted for inflation.




Source: Virginia Tourism Corporation, HRPDC

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




Source: Smith Travel Data, HRPDC

### 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 continued to grow both regionally and nationally during the beginning of the Great Recession, but later faced steep declines. Despite the completion of several projects in Norfolk and Virginia Beach, room supply declined slightly in Hampton Roads due to closures on the Peninsula.

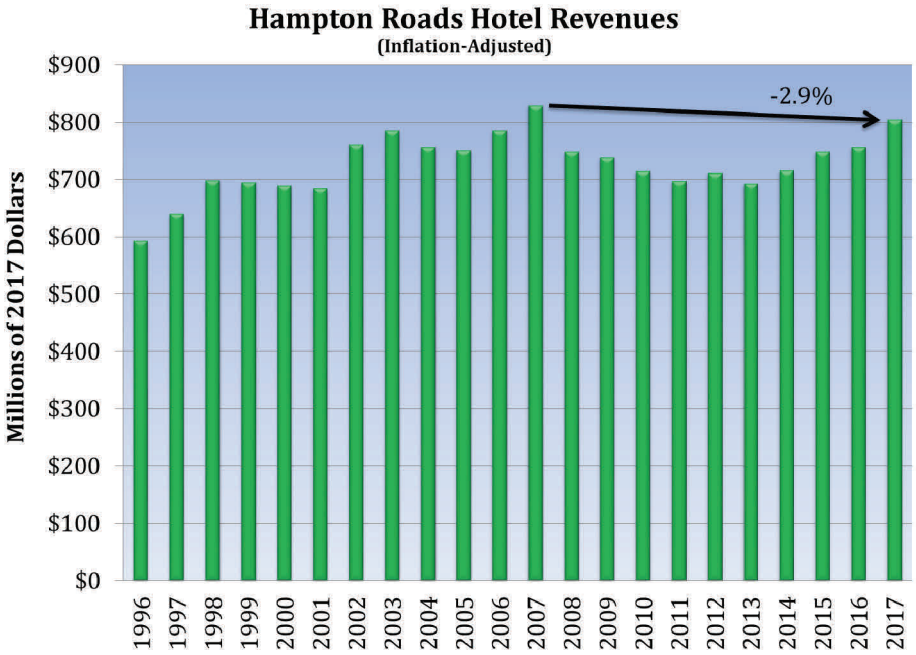
## Figure 5.7 Total Hotel Revenues in Hampton Roads

### 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.

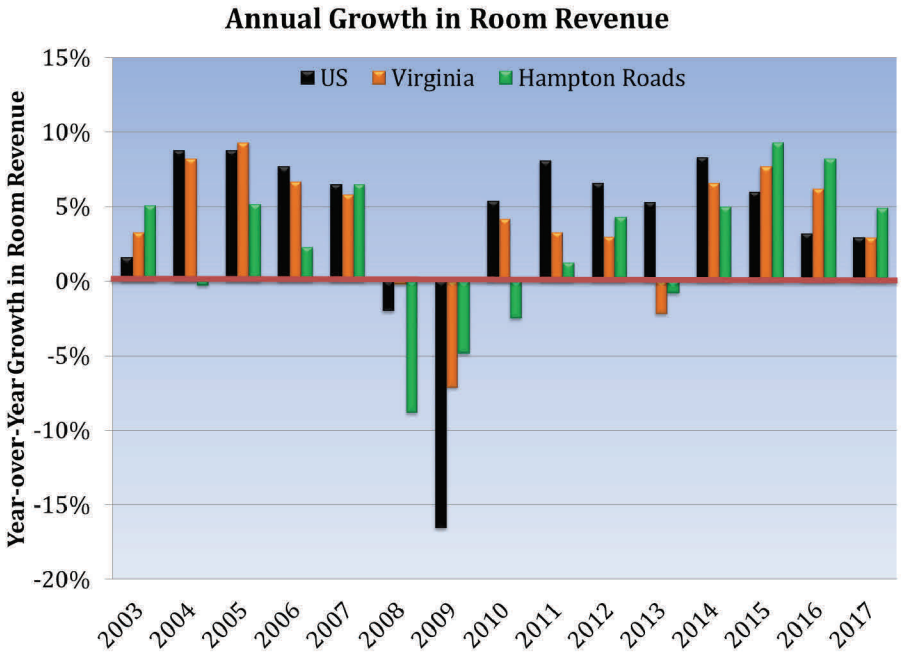
### How are we doing?

Hotel revenues have declined since 2007 in both real and nominal terms. 2007 was a unique year for the region because the 400th anniversary of Jamestown took place, which likely created a surge of tourism and masked the beginning of the recession later that year.




Source: Smith Travel Data, HRPDC

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




Source: Smith Travel Data, HRPDC

### 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?

Hampton Roads has seen fairly strong growth in room revenue over the past three years, but part of that relates to the shrinkage of room supply in the region overall. Different submarkets within the region have had experiences that differ from the entire region. For instance, Norfolk room revenue increased significantly due to the completion of the Main (+14.4%).