

2017
Greater Philadelphia
**VISITATION AND
ECONOMIC IMPACT**

June 2018

Prepared by:



2017 GREATER PHILADELPHIA TOURISM INDUSTRY EXECUTIVE SUMMARY

Each year, tens of millions of travelers visit the Greater Philadelphia region (Bucks, Chester, Delaware, Montgomery and Philadelphia counties) and inject billions of dollars in spending into the local economy. This visitor activity **builds the quality of life within the Philadelphia region** by supporting local businesses, jobs and amenities and generating tax revenue that supports local government services.

Greater Philadelphia's tourism industry had another record-setting year in 2017, with visitation and economic impact growing for the eighth consecutive year and downtown hotel occupancy reaching a modern high. This overview highlights the key indicators of industry performance in 2017 and provides context on industry growth in recent years.

KEY FINDINGS



U.S. visitation to Greater Philadelphia in 2017 was 43.3 million, an increase of 3.0% from 42.0 million in 2016. This represents the **eighth consecutive year of visitation growth** since the depth of the recession in 2009. From 2016 to 2017, visitation growth was largely consistent across all visitor segments. Both overnight and day visitors grew 3% year-over-year. Total leisure visitors also grew 3% and business visitors grew by 2%.



Visitation patterns by season in 2017 show growth of more than 6% in visitation in Q1 and Q4, both outside of the traditional peak travel season. This represents the continuation of a long-term trend of increased consistency of visitation across the year, reflecting Philadelphia's evolution as a **year-round destination of choice**.



Direct visitor spending in the region in 2017 totaled \$7.1 billion, an increase of 4.4% from 2016. **More than 50% was spent in the food and beverage and lodging sectors, with food and beverage spending growing by nearly 5%**. Transportation spending grew almost 10% as gas prices quickly rose after several years of decline.



Total economic impact from visitor spending in 2017 reached \$11.5 billion, up 4.0% from \$11.0 billion in 2015. This represents **\$31.5 million in regional impact each day**, the majority of which (58%) takes place within the City of Philadelphia.



Visitor-supported employment in 2017 totaled 98,300—a 1.7% increase over 2016—and \$3.5 billion in earnings. **One out of every three jobs** in the region's leisure and hospitality sector is supported by visitors to the region.



State and local taxes generated by visitors in 2017 totaled \$938 million, an increase of 6.5% from 2016. This represents an annual tax savings of \$618 per household in the five-county region. **Visitor-generated tax revenue directly funds public services**, such as education, public safety and transportation, and it funds tourism marketing and convention sales services.

VISITATION

Greater Philadelphia's tourism industry continues to build momentum with eight straight years of record visitation totals. **Visitation from the U.S. reached 43.3 million in 2017**, an increase of 3% and a figure greater than the population of nearby states New York, New Jersey, Ohio and Delaware put together. **The 1.3 million increase in visitors from 42.0 million in 2016 to 43.3 million in 2017 was the largest growth in any year since 2010**, and the 3% increase is above the average growth rate for the post economic recession 2009-2017 time period.



ANNUAL U.S. VISITATION TO GREATER PHILADELPHIA 2009-2017 (in millions)

2009	2010	2011	2012	2013	2014	2015	2016	2017
36.0M	37.6M	38.0M	38.8M	39.0M	39.7M	41.0M	42.0M	43.3M
	+4.4%	+0.9%	+2.1%	+0.7%	+1.7%	+3.4%	+2.4%	+3.0%

Avg Growth: 2.3%

North American Visitation to Greater Philadelphia

A total of 43.8 million travelers from North America visited Greater Philadelphia in 2017. In addition to the 43.3 million visitors from the U.S., 525,000 visitors came from Canada and Mexico.



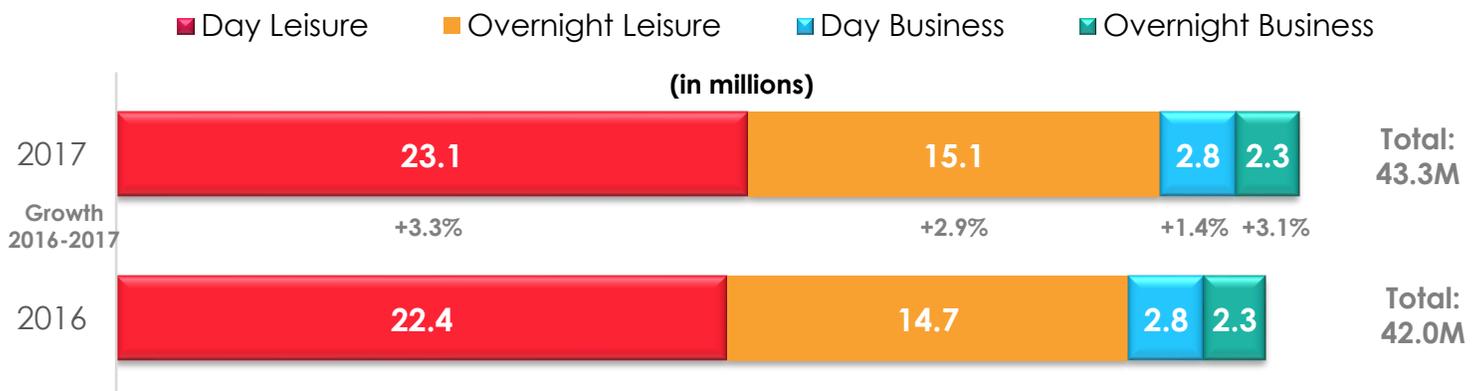
Canada is the largest international visitor market to the region each year. In 2017, Greater Philadelphia welcomed 502,000 visitors from Canada, +2% from 2016.



There were 23,000 visitors from Mexico in 2017, an increase of 5% from 2016.

U.S. VISITATION TOTALS BY VISITOR SEGMENT, 2016-2017

Day leisure, overnight leisure and overnight business visitor segments all grew by 3% from 2016 to 2017. Day business grew 1.4% year-over-year.



Note: Business visitation includes convention visitors.

VISITATION BY SEASON



Growth in visitation was concentrated in winter months of Q1 and Q4, which typically represent the slowest quarters for travel activity. This represents the continuation of a long-term trend of increased **consistency of visitation across the year**, reflecting Philadelphia's evolution as a **year-round destination of choice**.

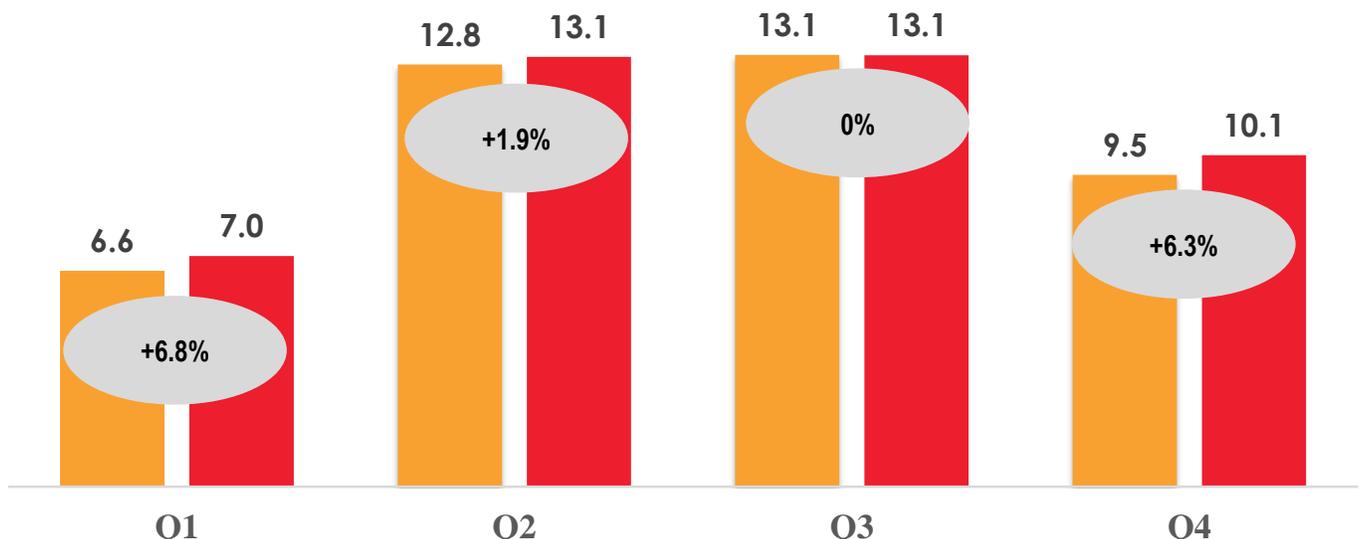
Year-over-year visitation growth exceeded 6% in both Q1 and Q4 in 2017.

Increases in Q4 were heavily driven by the leisure segment, with overnight leisure growing by 8%. Domestic visitation in both Q2 and Q3 exceeded 13 million, with visitation and hotel occupancy consistently strong throughout the spring and summer months.

This growth pattern is consistent with longer term trends, with **Q1 and Q4 showing the largest visitation increases** from the post recession period of 2009-2017.

U.S. VISITATION BY QUARTER (in Millions)

■ 2016 ■ 2017



Visitation was flat in Q3, matching the record performance in 2016 when the Democratic National Convention came to Philadelphia despite the absence of a similar signature event.

These trends demonstrate that the **region does not rely on major events to attract visitors year-round. A steady stream of travelers leads to a more stable tourism market**, supported year-round by discretionary travelers who choose to make Greater Philadelphia the destination for their vacations or quick getaways.

VISITOR SPENDING

Direct spending by visitors within Greater Philadelphia totaled \$7.13 billion in 2017, a 4.4% increase from \$6.83 billion in 2016. Visitor spending is divided across five major sectors of the tourism economy with the two largest sectors—food and beverage and lodging—representing half of total direct spending.



Food and beverage, which represents the largest sector of the visitor economy, grew by nearly 5% to \$1.9 billion.



Lodging spending grew by around 2%, with growth in overnight stays offsetting a slight decrease in nightly rate (which was elevated in 2016 in part due to the DNC).



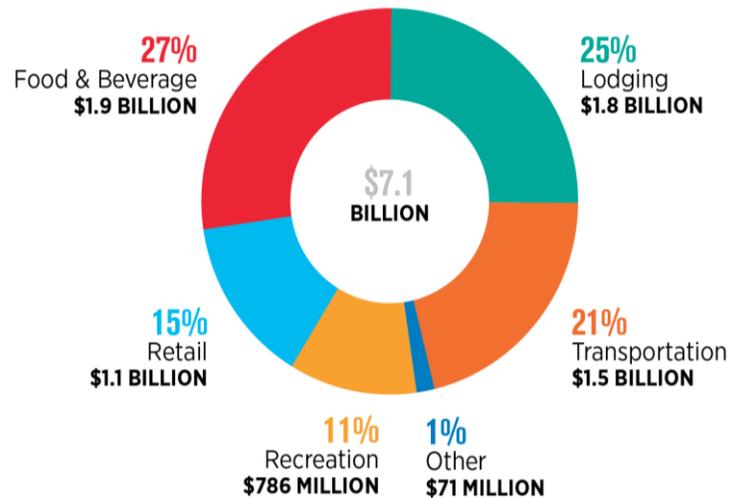
Transportation spending grew by nearly 10% after two straight years of decline, as fuel prices returned to more typical levels.



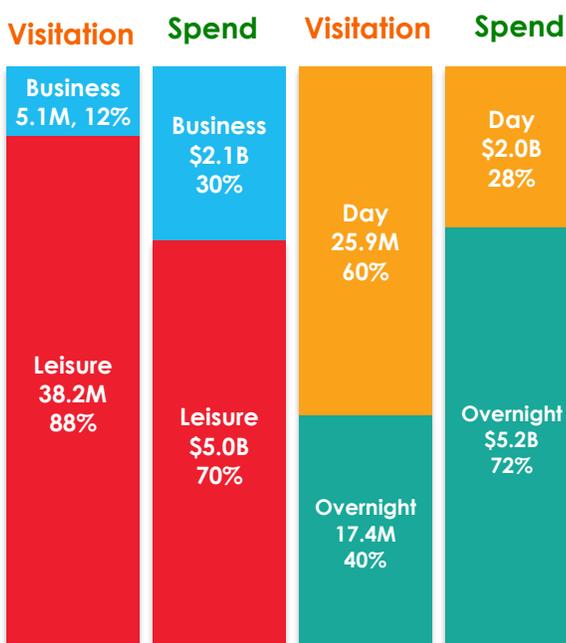
Retail and recreation showed modest growth of around 2%, driven by increases in visitation rather than increased expenditures per visitor.



2017 Visitor Spending by Category



2017 Share of Visitation and Spending by Visitor Sector



Leisure visitors, who comprise 88% of total visitors to the region, contribute 70% of visitor spending.

Overnight visitors comprise less than half of total travelers to Greater Philadelphia but contribute the majority (72%) of visitor spending. With more time to frequent the region's attractions, restaurants and shops, overnight visitors generate a larger spending footprint per visitor.

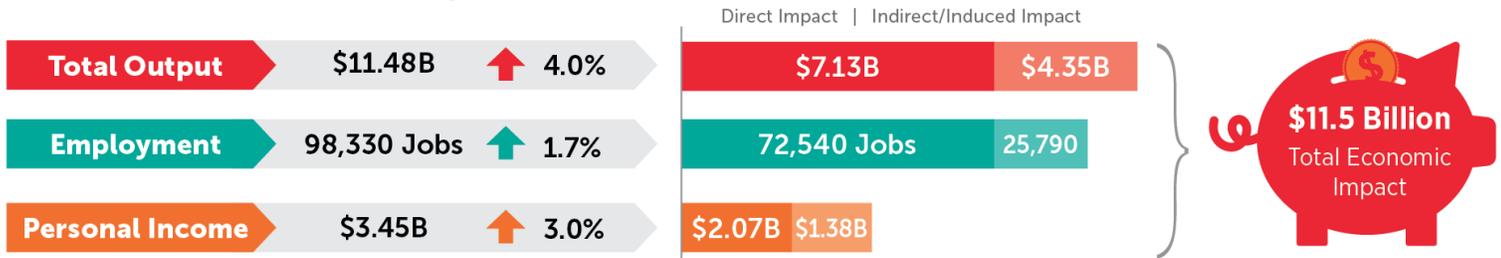
Continual growth in overnight visitors results in growth in hotel room demand, a significant driver of increased visitor spend. In 2017, **downtown Philadelphia hotels saw a record 78.2% occupancy**. Leisure room nights sold increased 8.5% year-over-year, the strongest growth of all visitor segments. Capitalizing on this trend, nine hotels are planned to open in Philadelphia in 2018 and 2019.

ECONOMIC IMPACT

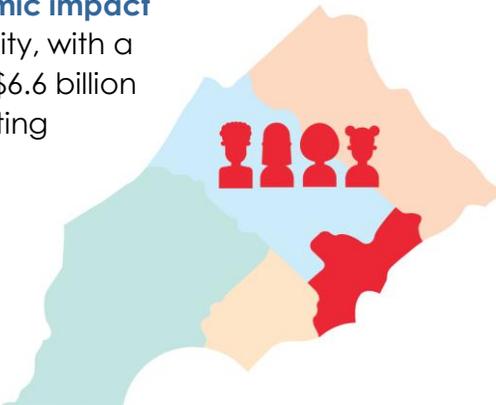
Direct visitor spending ripples through the local economy, creating an economic impact across an even broader range of sectors. When people from other regions spend their dollars in Greater Philadelphia, they support local businesses, local employment and the local tax base. **Tourism is a key export activity in the modern economy**, as the region **sells the experience** that it offers to an external consumer base.

The **economic impact of tourism for Greater Philadelphia in 2017 totaled a record \$11.48 billion**, an increase of 4.0% from \$11.03 billion in 2016. This equates to **\$31.5 million in economic impact per day** in the region. This economic activity supports more than **98,300 jobs with \$3.45 billion in earnings**.

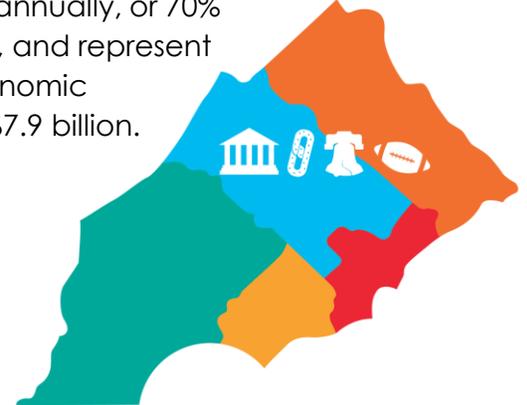
2017 Tourism Economic Impact



The **City of Philadelphia represents 58% of the regional economic impact** from visitor activity, with a total impact of \$6.6 billion per year supporting 52,500 jobs.



Leisure visitors infuse more than \$5 billion in direct spending into the region annually, or 70% of the total, and represent a total economic impact of \$7.9 billion.



	Visitors to Philadelphia	% of the Region
Total Visitation	27.0M	62%
Spending	\$4.1B	58%
Economic Impact	\$6.6B	58%
Jobs	52,540	53%
Personal Income	\$1.9B	55%

	Leisure visitors to Greater Philadelphia	% of all visitors
Total Visitation	38.2M	88%
Spending	\$5.0B	70%
Economic Impact	\$7.9B	69%
Jobs	68,710	70%
Personal Income	\$2.4B	68%

EMPLOYMENT IMPACT

Growing employment supported by the tourism economy shows that Philadelphia's commitment to tourism as an economic development strategy is paying dividends. **Visitor spending is helping leisure and hospitality businesses not only to sustain themselves, but also to grow in number and size.**

Jobs within the tourism economy are accessible to residents across a range of skill levels and have proven durable within a changing economy. Growth in tourism activity and in tourism amenities also has demonstrated ancillary benefits for economic growth, quality of life and resident attraction. **The same features that make Greater Philadelphia attractive to visitors make the destination attractive to residents, and by extension, to businesses seeking talent.**

The tourism economy is by nature experiential and tied to the unique qualities of a place, making it very difficult to outsource or to automate.

In 2017, visitor activity supported 98,330 jobs in Greater Philadelphia, an increase of 1.7% from 96,640 in 2016. Visitor-supported employment cuts across multiple industries and represents a significant portion of total employment in key sectors.

2017 Visitor-Supported Employment in Greater Philadelphia

Sector	Total Private Employment	Visitor-Supported Employment	% Visitor-Supported
Leisure and Hospitality Sector			
Accommodations & Food Service	150,460	49,700	33%
Arts, Recreation & Entertainment	36,890	12,190	33%
Transportation	26,440	11,110	42%
Other Industries	1,486,490	25,330	2%
Total	1,700,280	98,330	5.8%



In addition, visitors to the region support:

1 out of 3 jobs in the region's leisure and hospitality sector, including the accommodations and food service and arts, recreation and entertainment sub-sectors.

More than **2 out of 5 jobs in the region's transportation sector.**

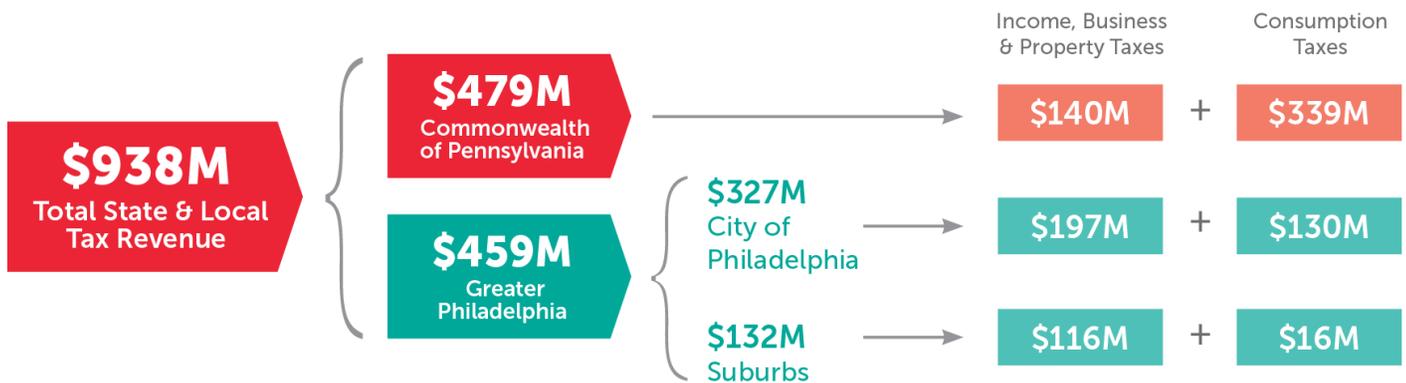
Overall, visitor-supported employment accounts for **6% of total private employment in the region. That's 98,300 jobs!**

TAX REVENUE GENERATED

Out-of-town visitors contribute tax dollars to support government services that benefit residents year-round, without having to raise taxes on local residents. Visitor-generated economic impact increases the tax base both by adding to the overall wealth of the region (increasing income, business and property tax collections) and through specific consumption taxes and fees.

Visitor spending in Greater Philadelphia in 2017 generated \$938 million in state and local taxes, an increase of 6.5% from 2016.

State and Local Tax Revenue Generated by Visitors, 2017



Tourism is a revenue generator and supports priority public services including public safety, transportation and education.

Within Philadelphia, \$130 million in tax revenue was generated by visitors in 2017 from consumption taxes on purchases like hotel rooms, attraction tickets, car rentals and alcoholic drinks. Visitor-supported activity accounts for 29% of total annual tax revenues from these consumption taxes. This revenue directly supports the School District of Philadelphia and the City of Philadelphia General Fund, which maintains priority programs such as public safety, transportation and sanitation.

Visitor spending also supports further tourism marketing via the hotel tax (which funds the Pennsylvania Convention Center, the Philadelphia Convention & Visitors Bureau and VISIT PHILADELPHIA), meaning that **tourism marketing is self-sustaining**.

Selected Philadelphia Consumption Taxes Supported by Visitor Spending

Consumption Taxes Paid by Visitors		Use of Revenue
Hotel Room Tax	\$68.2M	Convention Debt/ Tourism Promotion
Sales & Use Taxes	\$26.2M	General Fund
Liquor Tax	\$23.1M	School District
Amusement Tax	\$5.7M	General Fund
Vehicle Rental Tax	\$4.2M	Stadium Debt
Parking Lot Tax	\$2.5M	General Fund

METHODOLOGY AND SOURCES

Methodology Overview

Index Visitor volume and economic impact results were prepared for VISIT PHILADELPHIA by **Econsult Solutions, Inc. (ESI)**. Annual changes in domestic visitation are estimated through **index modeling**, a frequently applied technique in economic forecasting that combines a variety of inputs to develop a composite estimate of year-over-year change for a given metric. Inputs include direct industry data from hotels, attractions and transportation providers and government data on industry employment.

Changes in visitor spending by sector are modeled as a function of changes in the volume of visitors and changes in per visitor spending patterns, which are estimated through a balanced approach that accounts for a broad “basket” of indicators of **changes in prices, i.e., inflation, and spending patterns in each sector**. Key inputs include survey panel data from Longwoods International, aggregated credit card transaction data, federal inflation data by sector and industry-specific pricing data where available, such as hotels and airfare.

Input-output modeling using IMPLAN software estimates the spillover (indirect and induced) impacts of direct visitor spending within the regional economy and to translate those impacts into employment and earnings supported. Finally, a custom fiscal model estimates the impact on state and local tax collections based on estimated activity and effective tax rates.

Data Sources for Tables and Figures

Domestic Visitation

ESI and Tourism Economics index modeling based in Longwoods International 2009 estimates

Visitation by Season

ESI and Tourism Economics index modeling

Visitor Spending

ESI modeling based on Longwoods International, Visa Vue and government data

Economic Impact

ESI modeling using IMPLAN

Employment Impact

ESI modeling using IMPLAN, BLS private sector employment data

Tax Revenue Generated

ESI modeling using IMPLAN, Philadelphia, Pennsylvania and local fiscal information