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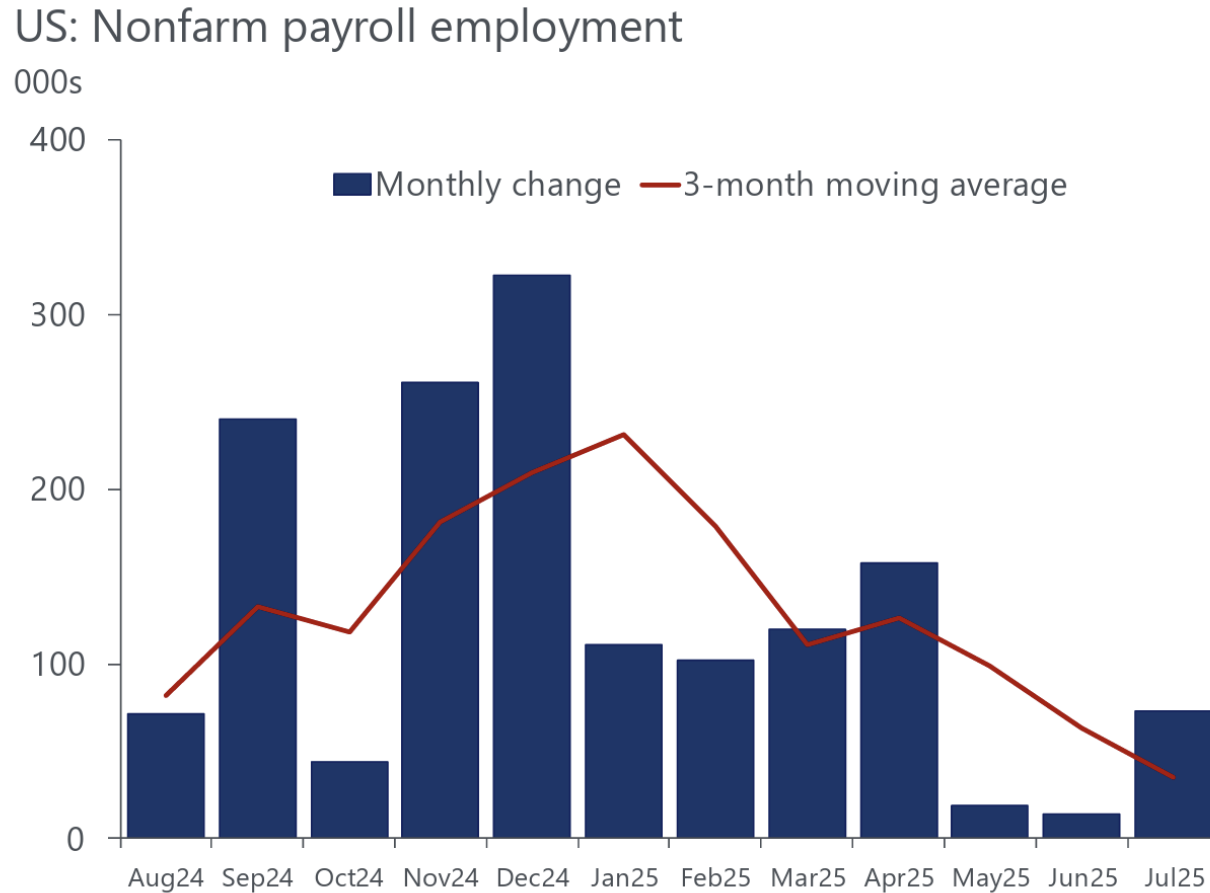
# Navigating an Economic Adventure

Erik Evjen

Executive Vice President

Tourism Economics

# Last three months averaged just 35,000 jobs

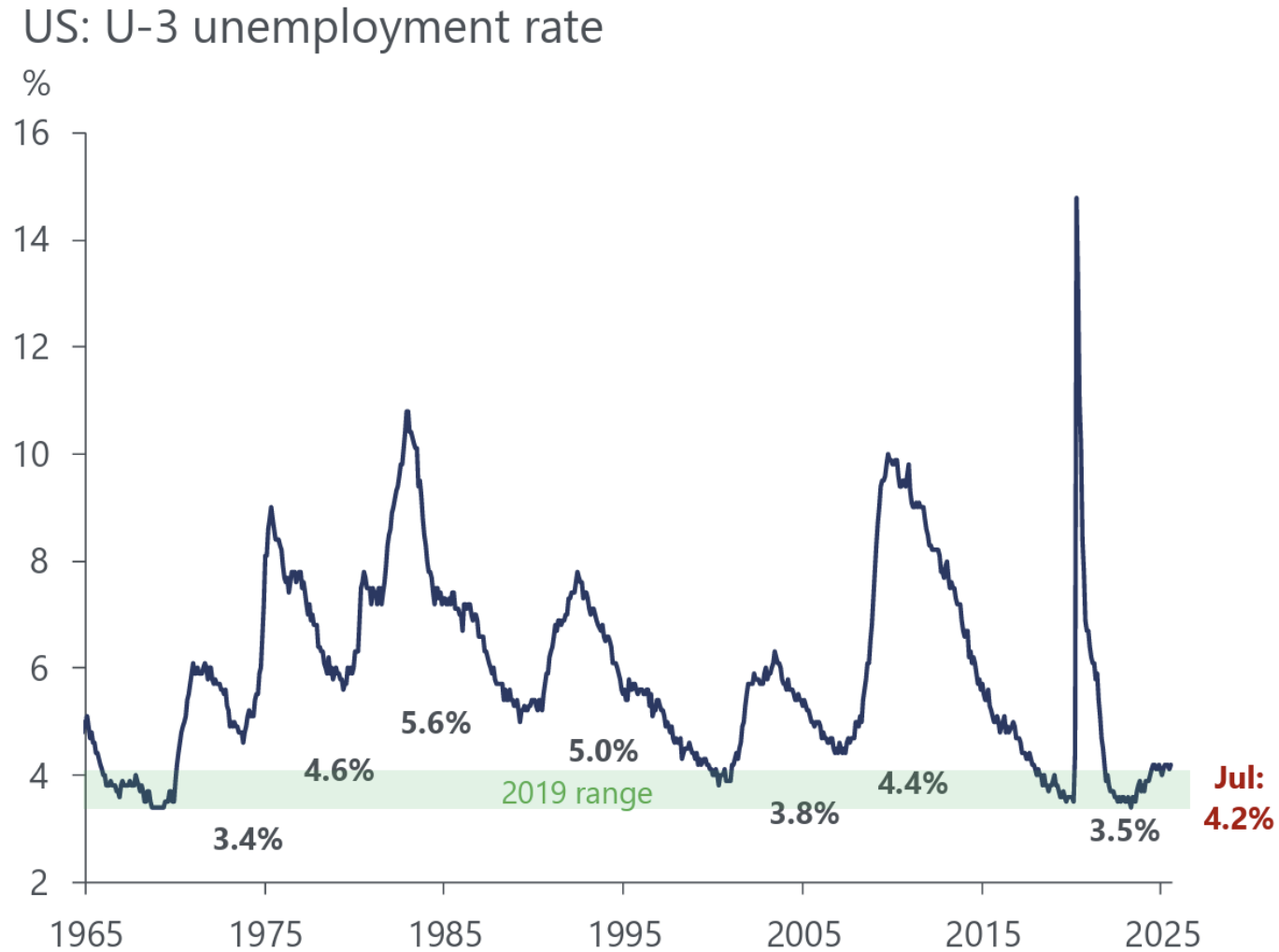


Source: Oxford Economics/Haver Analytics

**Weakest since the pandemic.**

**If not for the health and social services sector, employment would have declined over past three months.**

# Unemployment stands at 4.2%



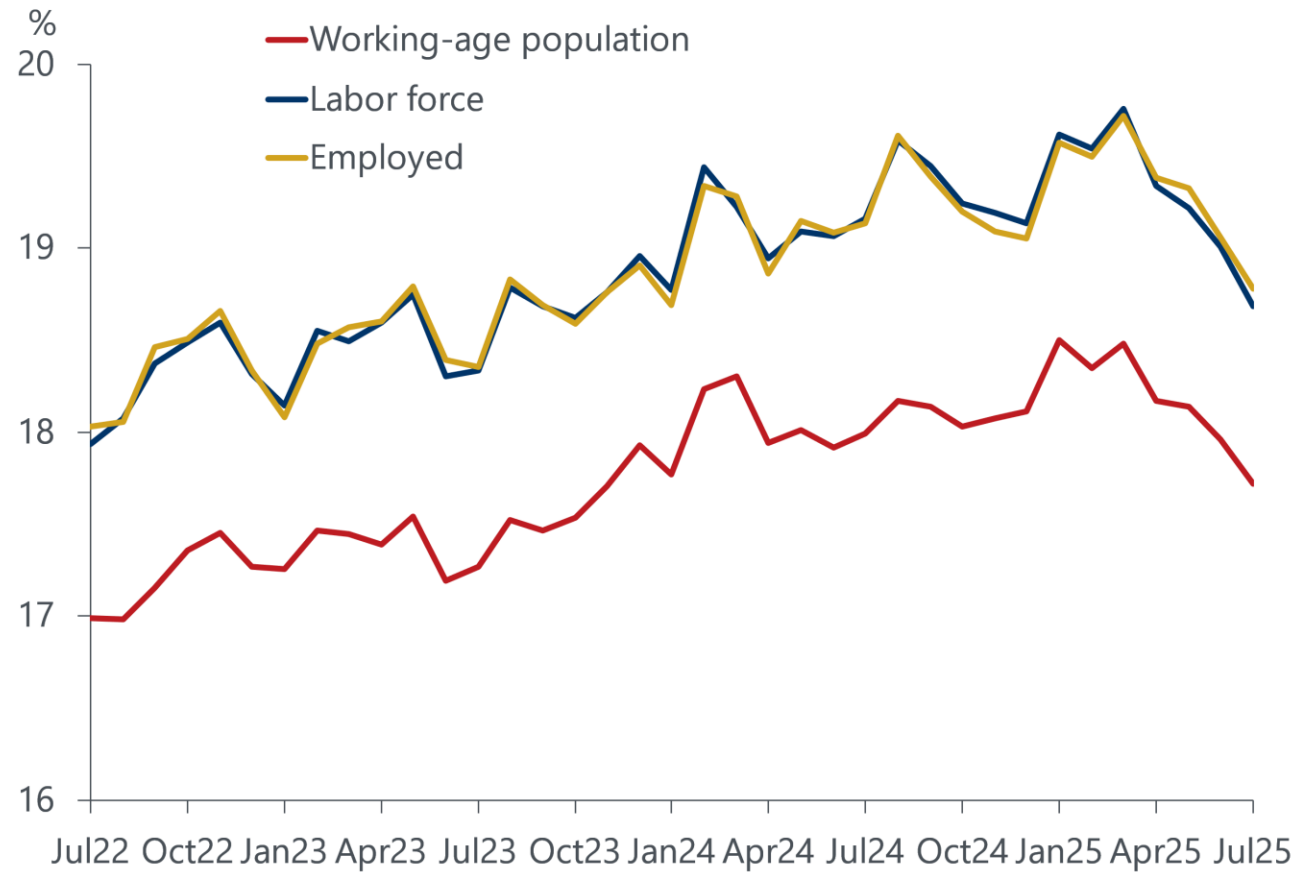
Source: Oxford Economics/Haver Analytics

**...it would be 4.9% except for drop in participation**



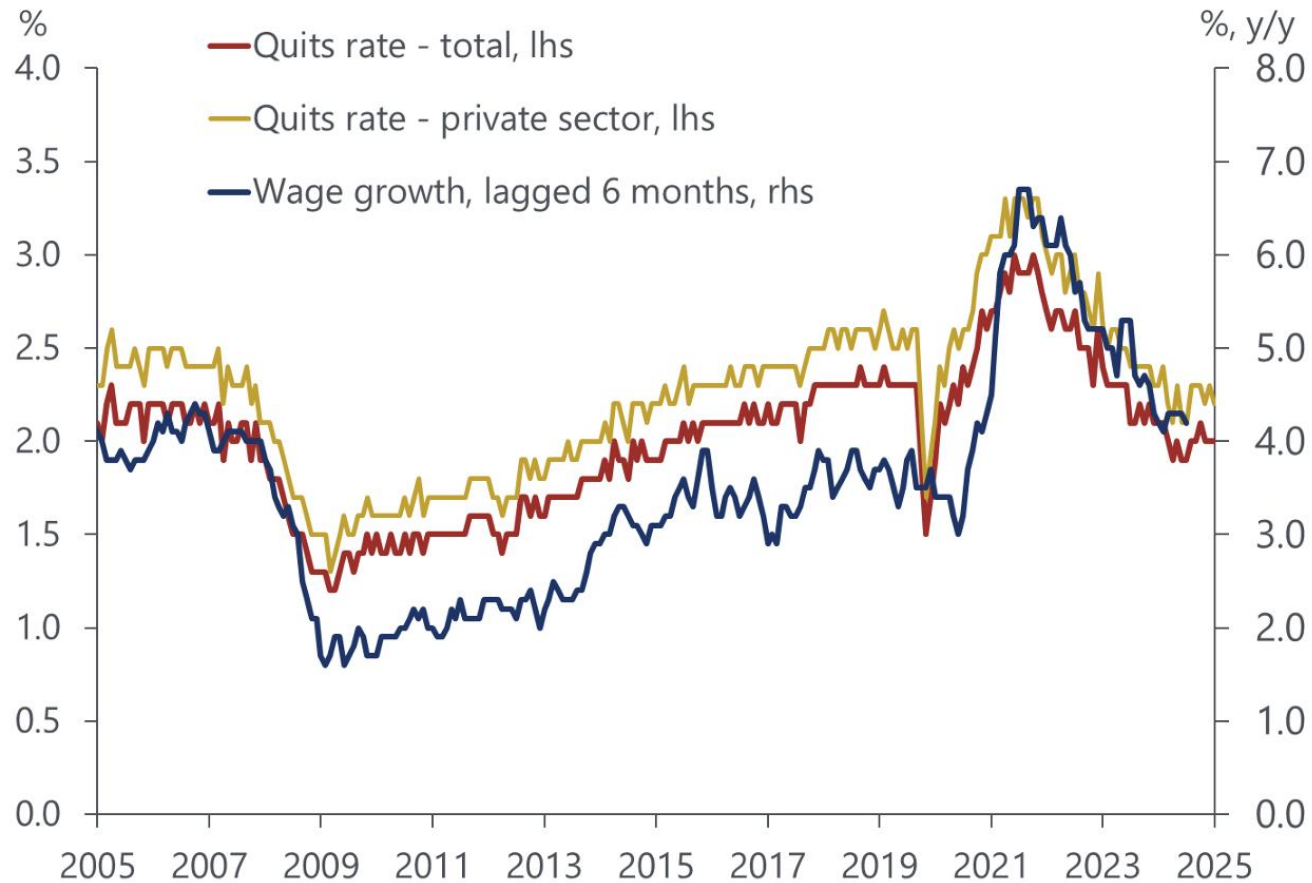
# Also, 1.2 million have left the labor market

US: Foreign-born shares of the labor market



# Jobs are becoming more precious

US: Quits rate and wage growth

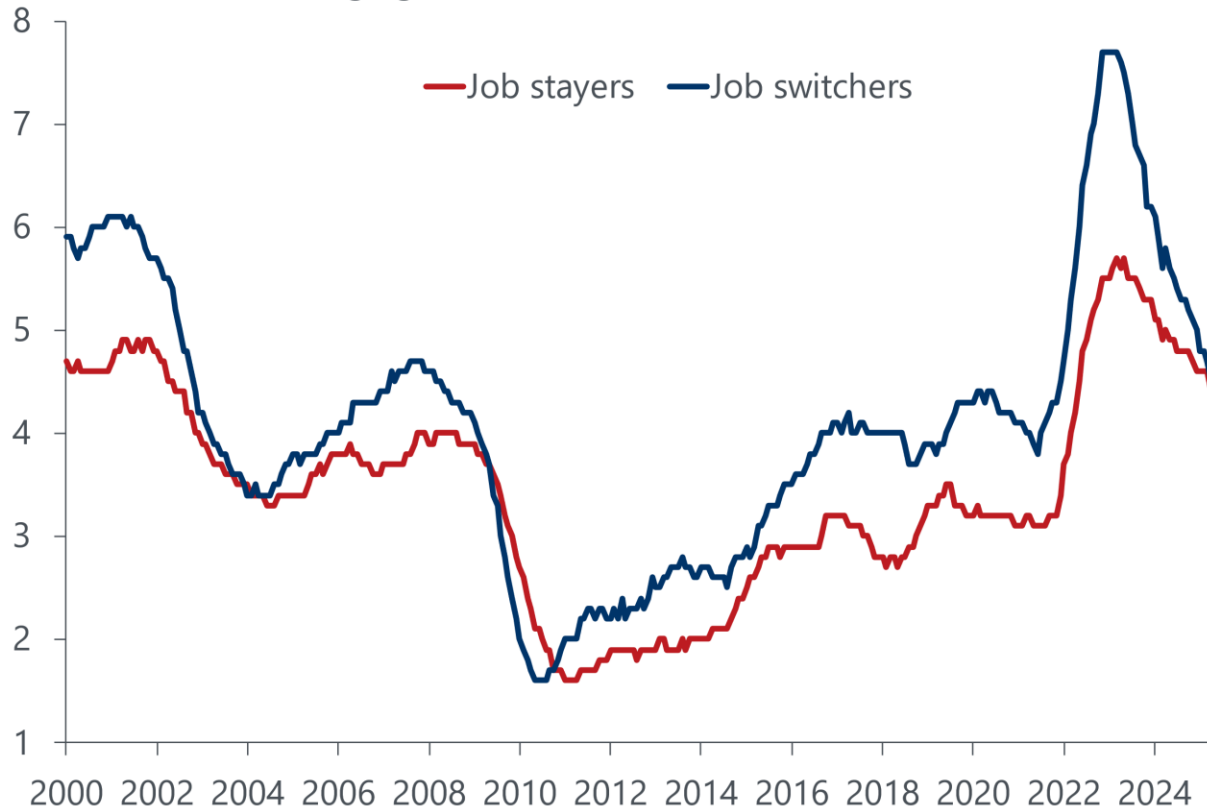


Source: Oxford Economics/Haver Analytics

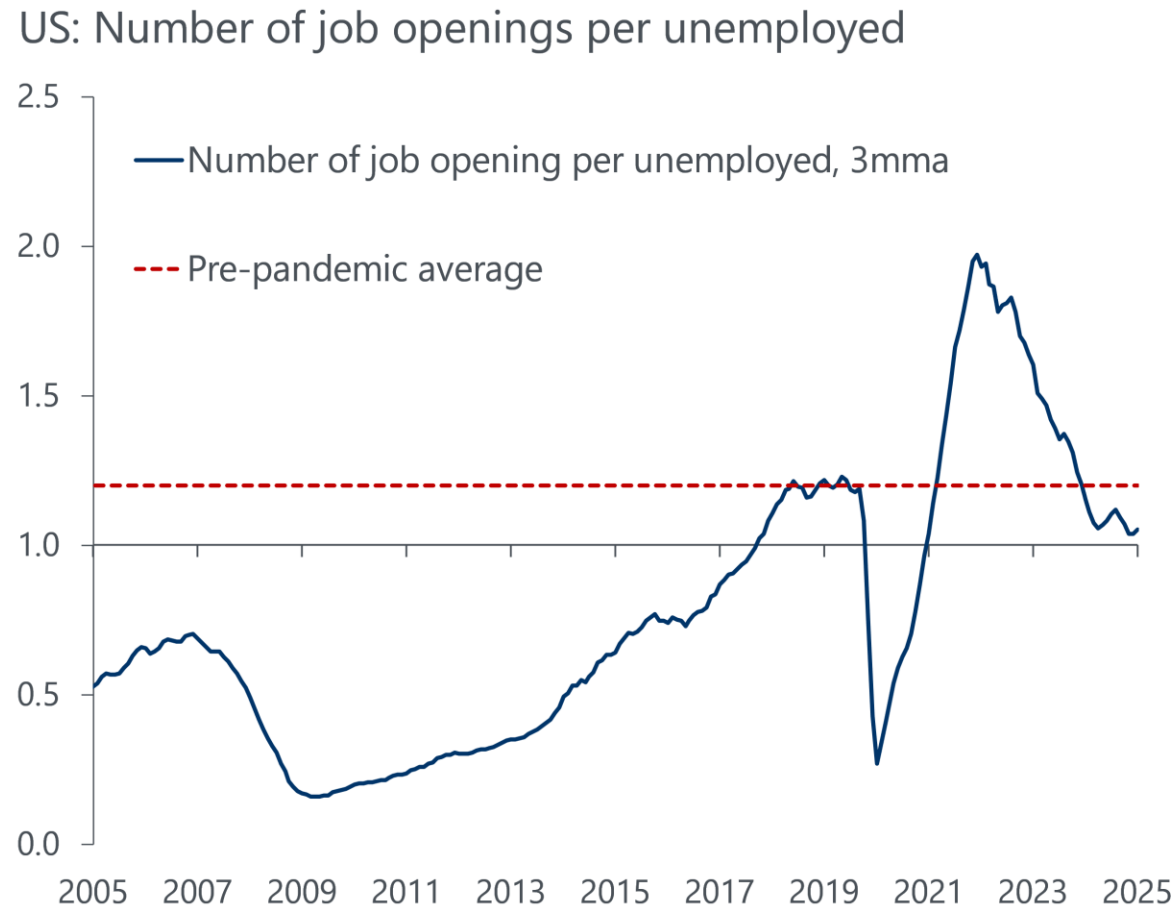
# Evidence of a tight labor market

US: Wage growth tracker of job switchers and stayers

12mma of median wage growth, %

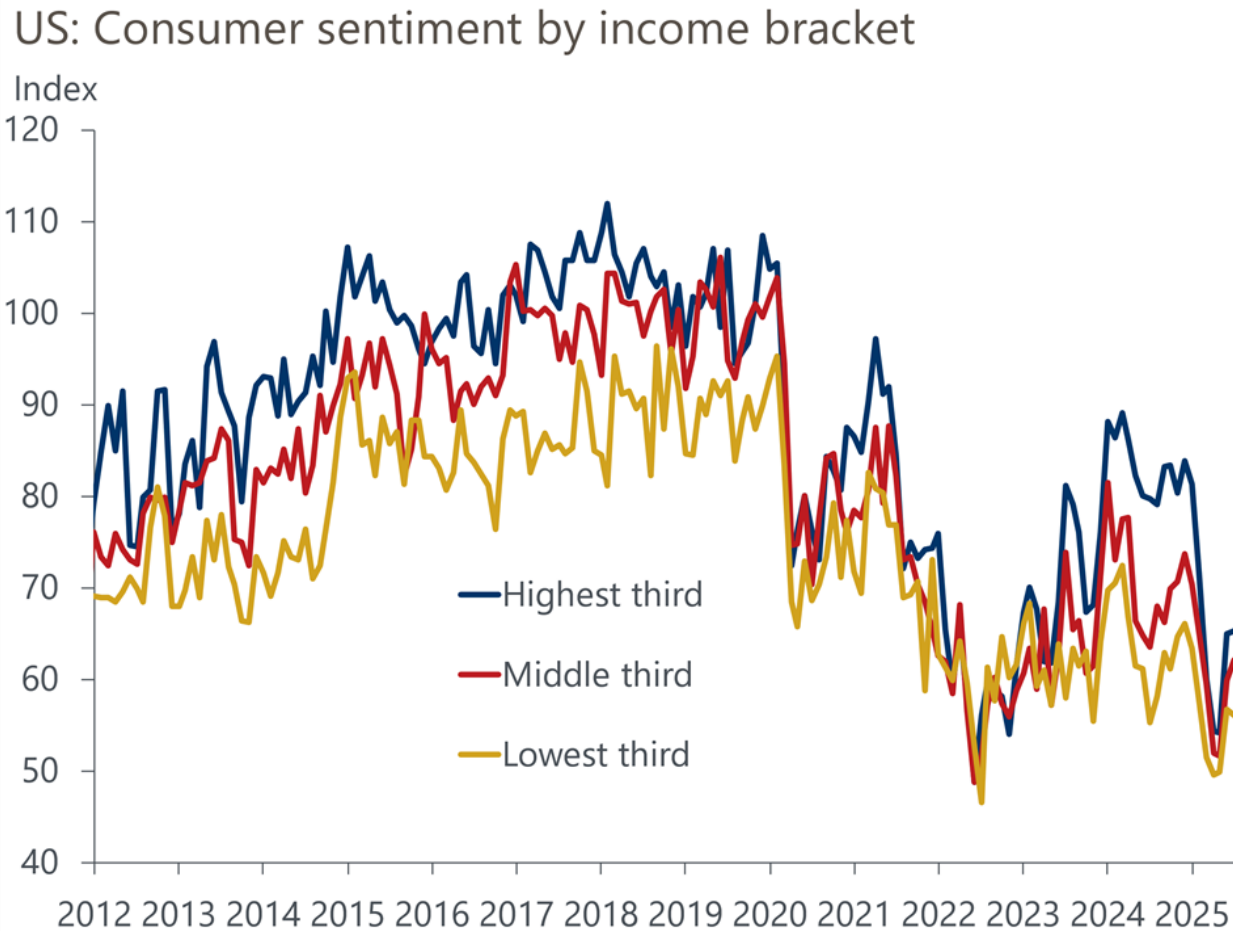


# But the labor supply-demand balance is still ok





# Consumer are worried

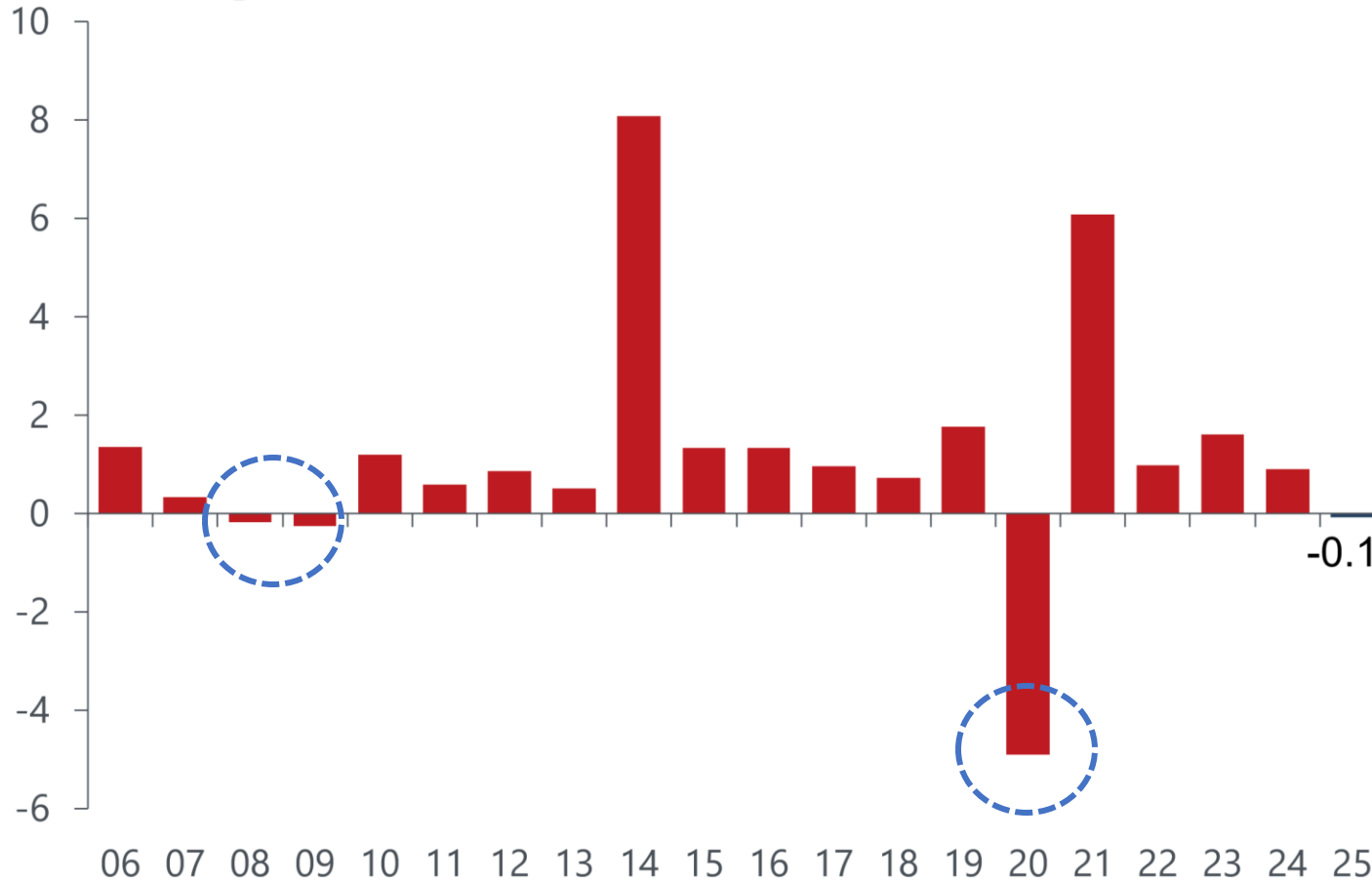


Source: Oxford Economics

# ...and spending is on hold

US: Real consumer spending, January-June

Percent change



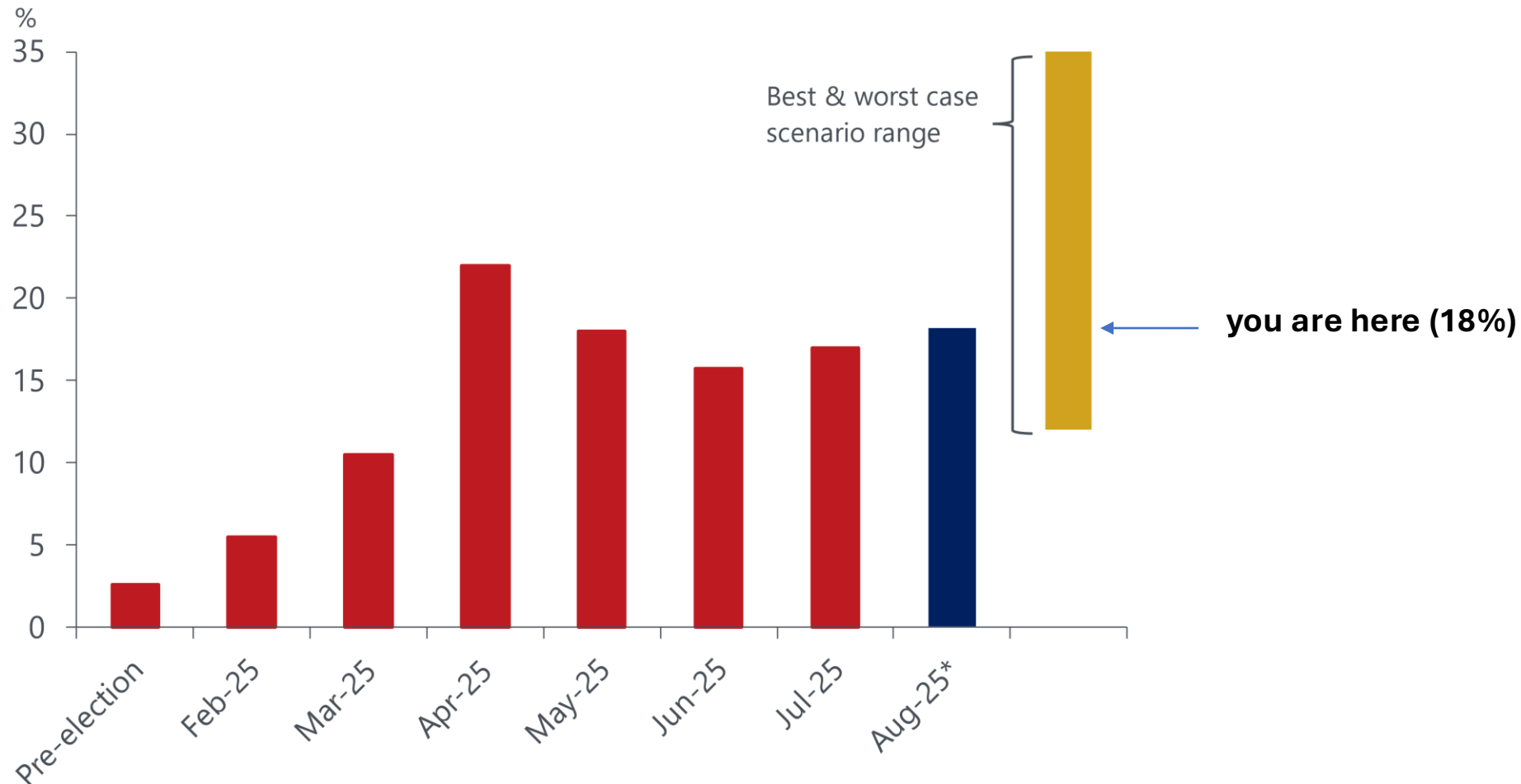
**This stagnation is rare outside a recession**

- Last time: 2020
- Time before that: Great Recession

# Why?

# Trade-weighted tariff rate highest in since 1930s

US: Effective tariff rate by forecast vintage

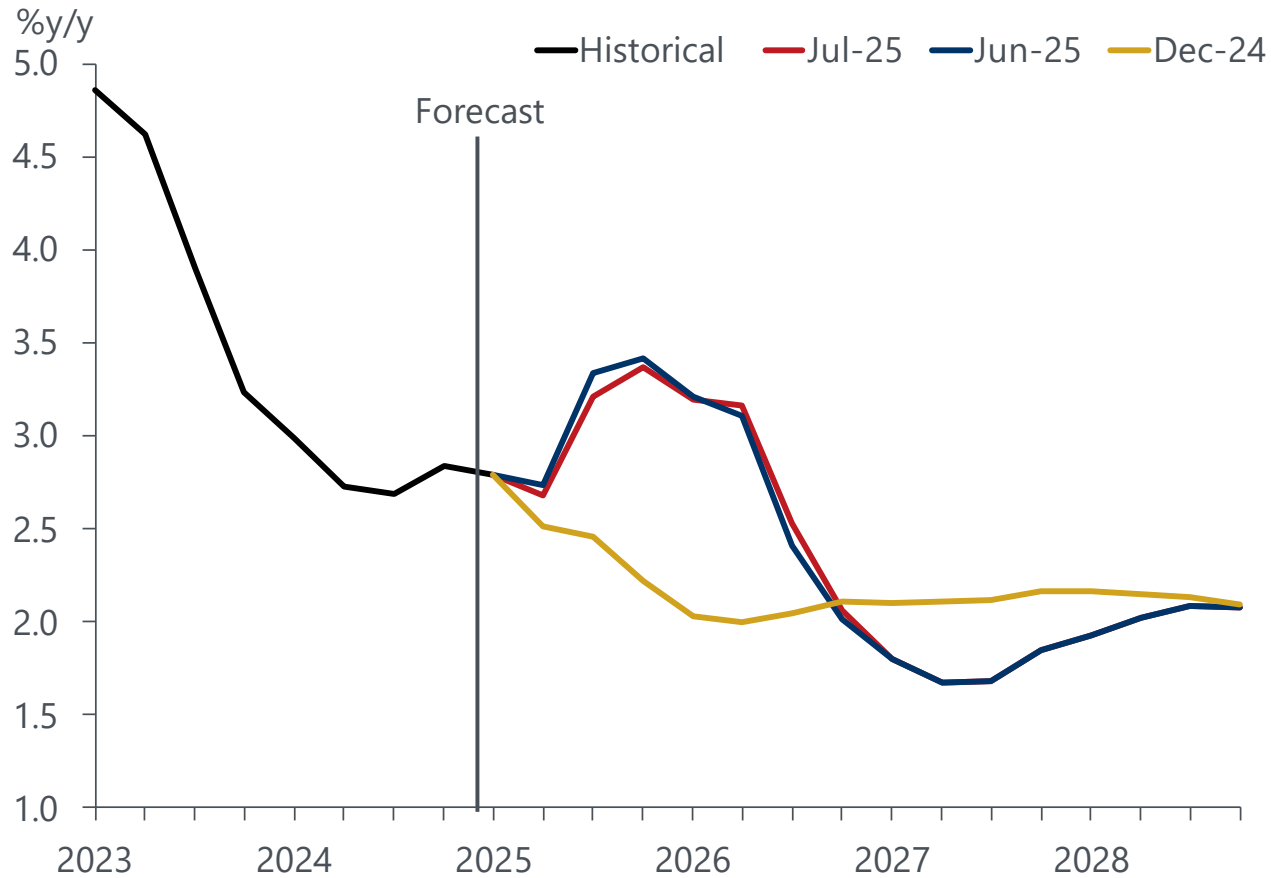


# Observable effects of tariffs so far

- Higher prices
- Weaker dollar
- Manufacturing stress
- High interest rates
- Reduced CAPEX
- Government revenue

# Core inflation will rise to 3.4% this year

US: Core PCE by forecast vintage

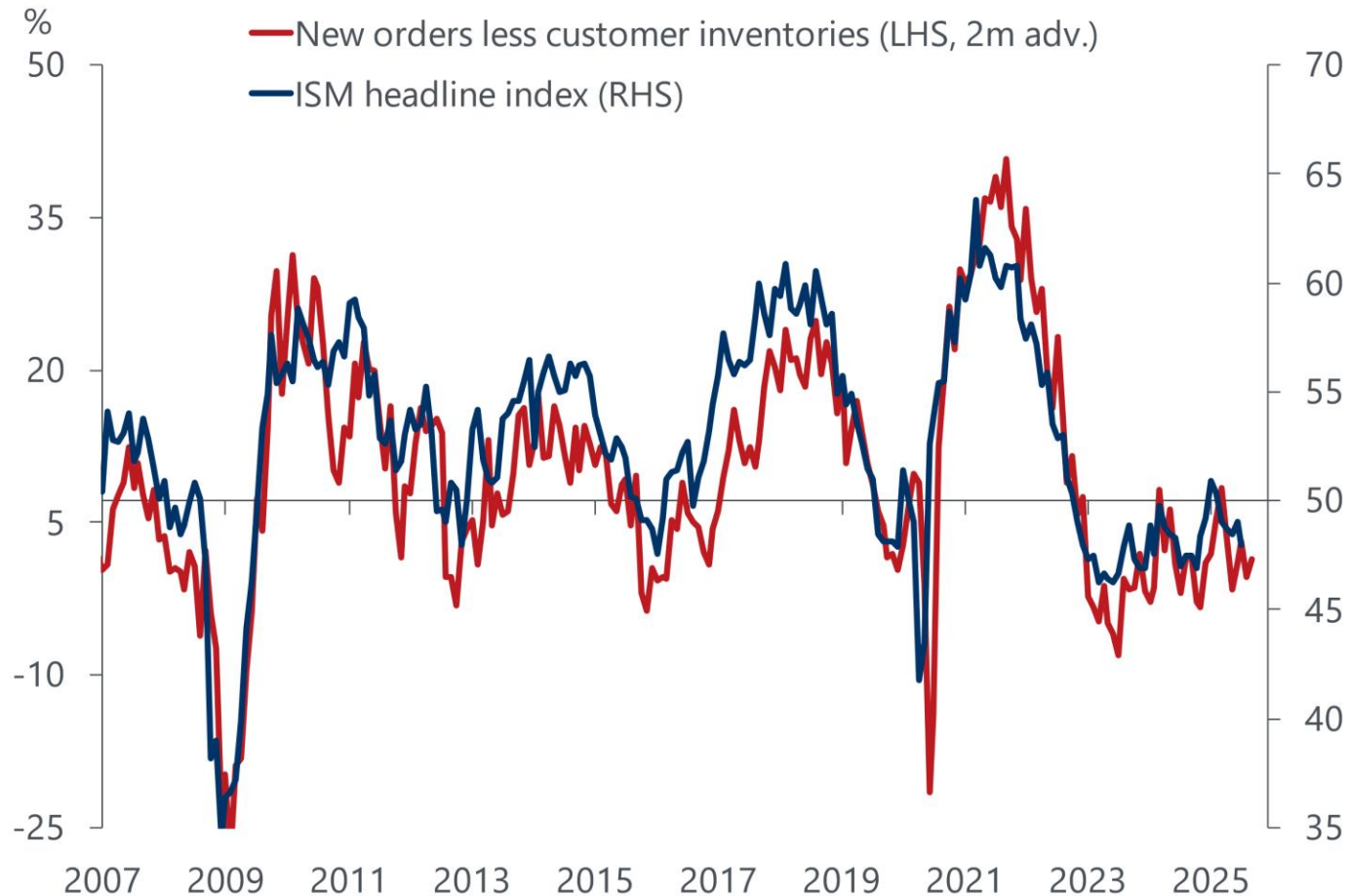


Source: Oxford Economics/Haver Analytics

**Dollar depreciation  
will add inflation in  
the second half of  
2025**

# Tariffs are proving a hurdle for manufacturers

US: ISM manufacturing measures



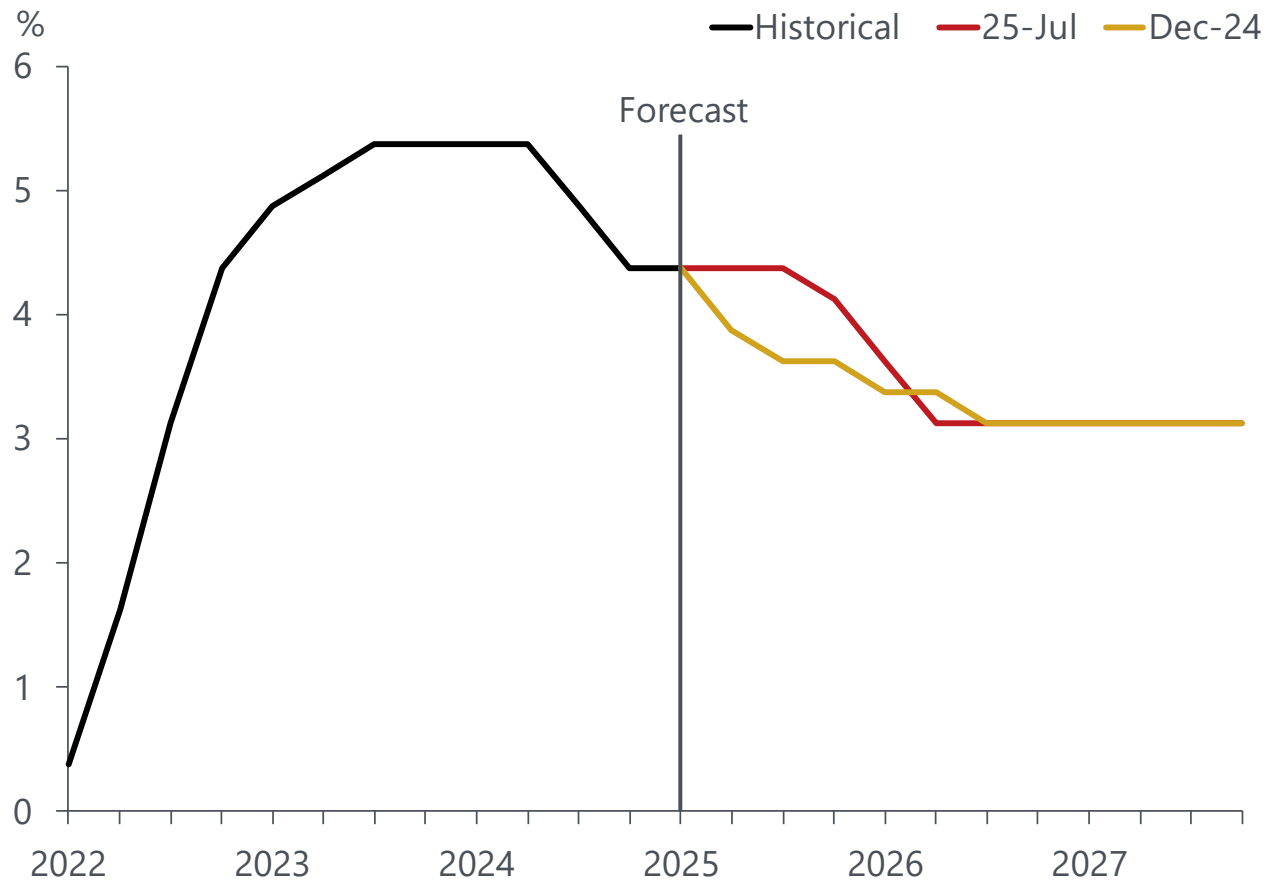
Employment declines for three straight months.

Reasons:

- higher input costs
- supply disruptions
- customers wary of committing to new orders

# Interest rates: higher for longer

US: Fed funds rate by forecast vintage

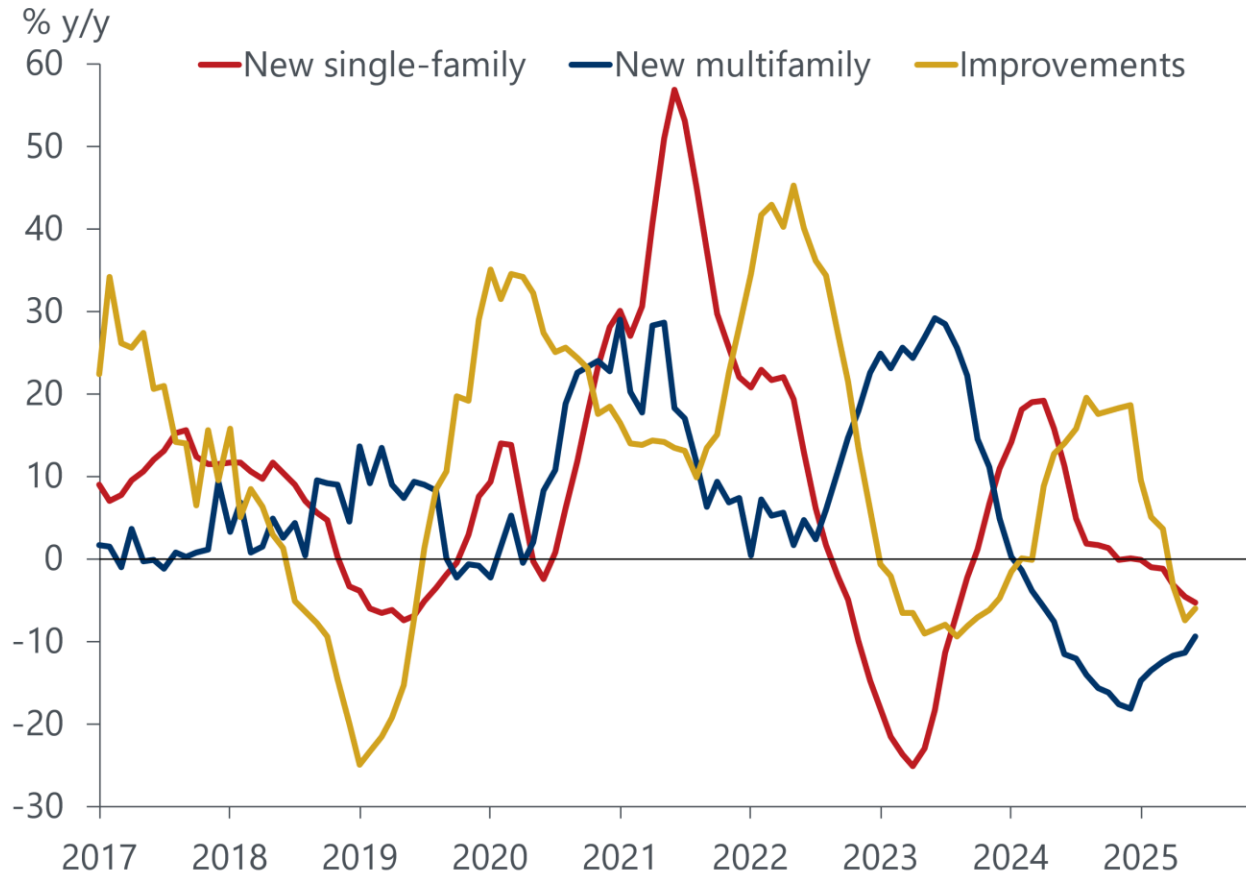


Source: Oxford Economics/Haver Analytics



# Construction is sliding

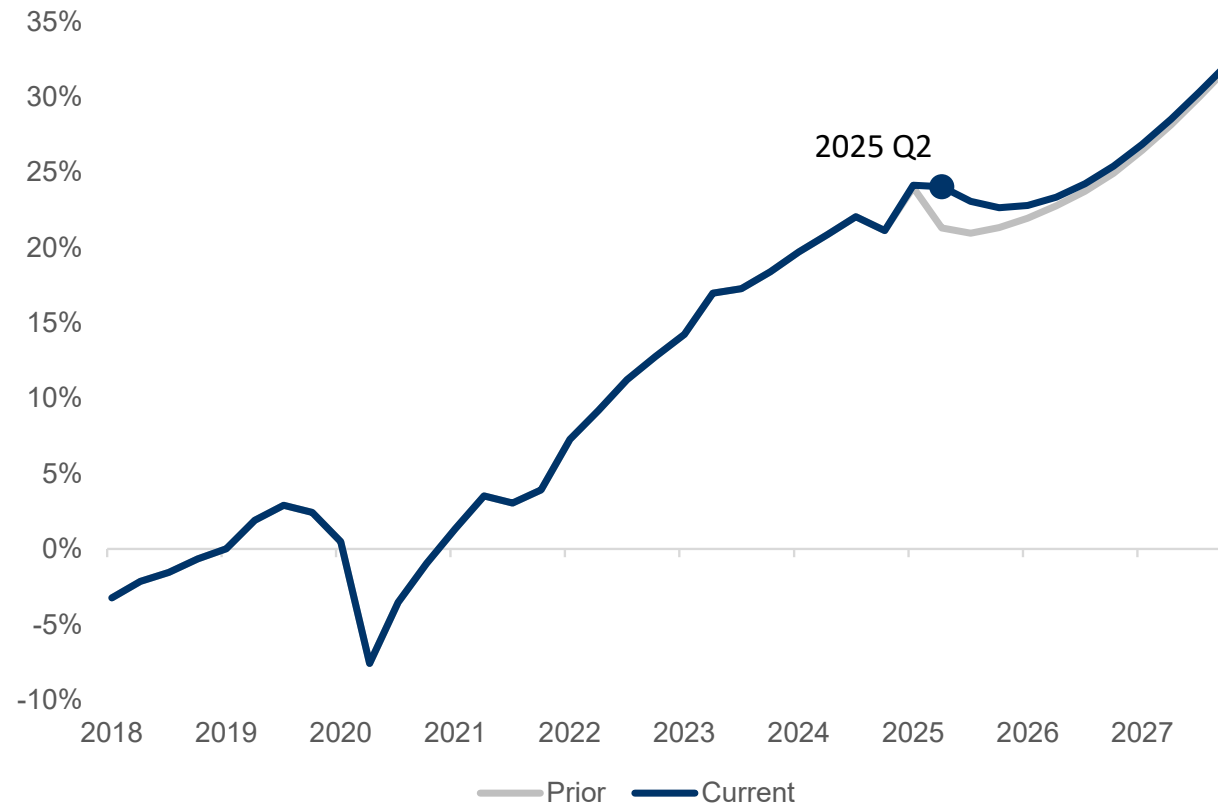
US: Private residential construction



# Businesses are pausing investment

## Business investment

Nonresidential fixed investment, real, growth since 2019 Q1



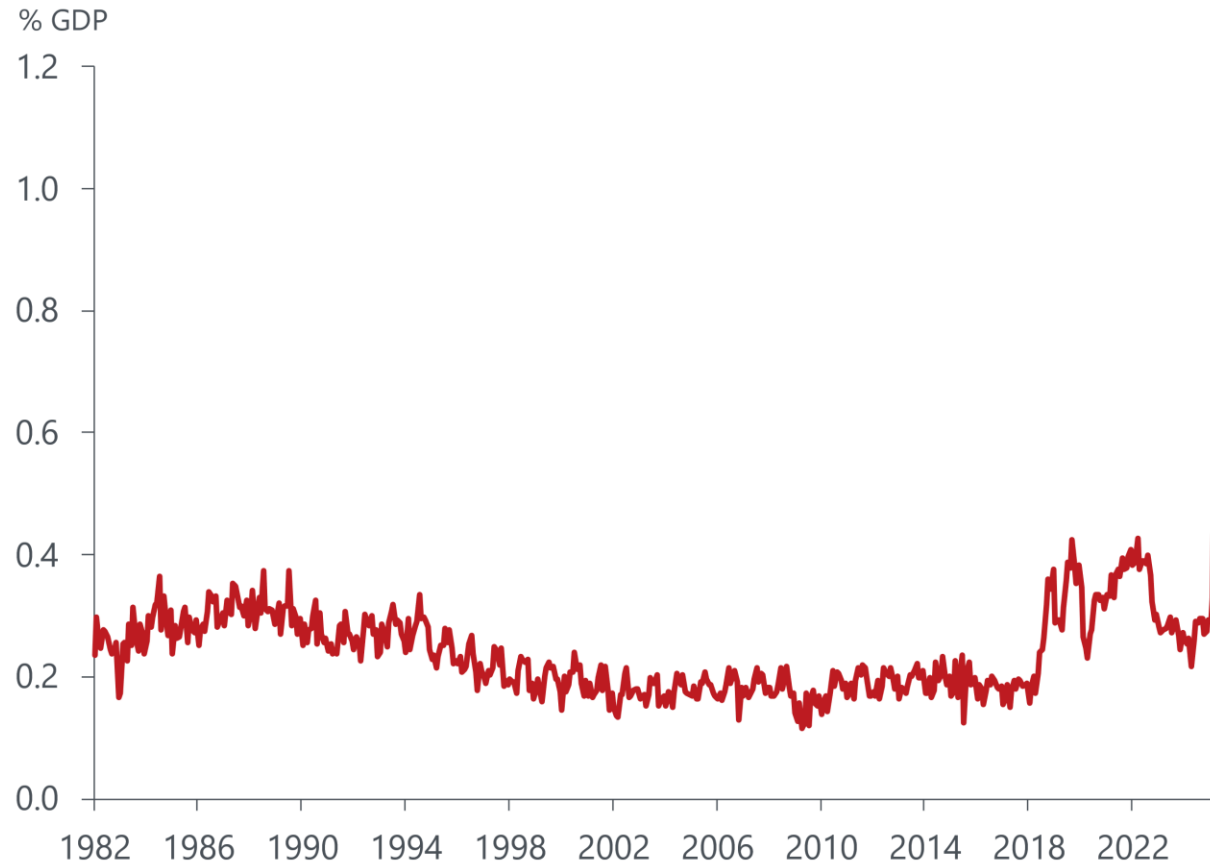
Source: BEA, Oxford Economics

“Second quarter U.S. and Canada select service and extended stay RevPAR declined around 1.5% year over year, primarily due to a decline in government demand ... as well as weaker demand from smaller business customers.”

Marriott, Aug 5, 2025

# But... tariffs are raising revenues

US: Customs revenues



Source: Oxford Economics

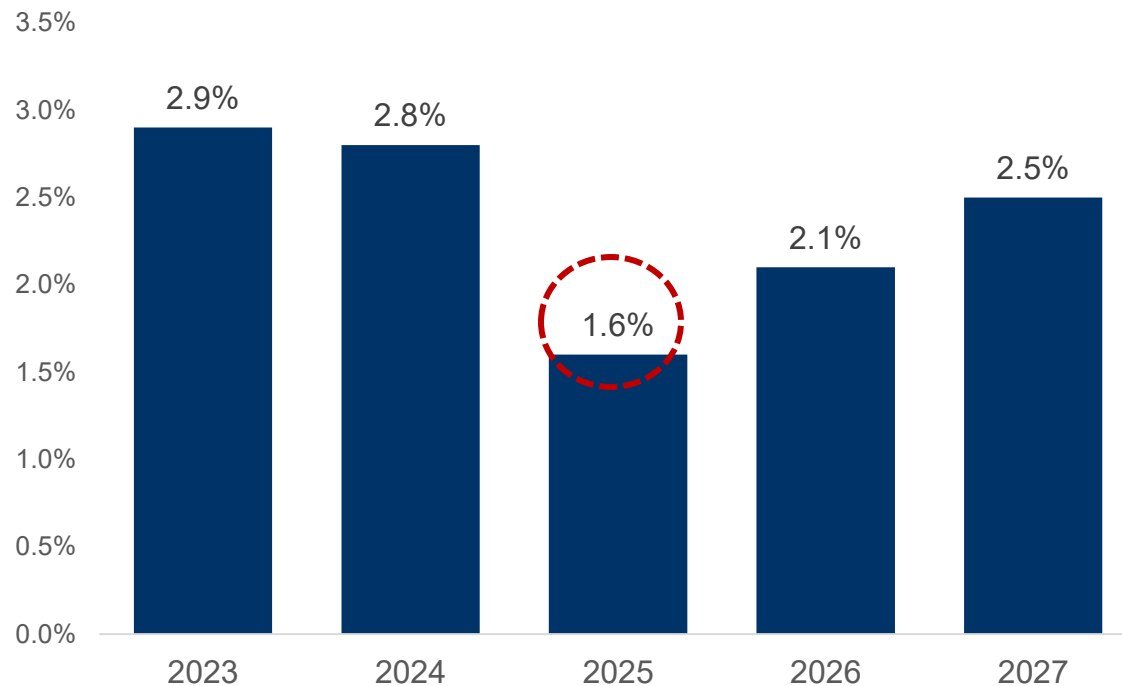
**\$30 billion in July**  
**(compared to an average of**  
**around \$8B last year)**

**Current tariff rates could**  
**generate more than \$3**  
**trillion over the next**  
**decade**

# Economic growth will slow markedly in 2025

## US Real GDP

Annual growth



Source: Oxford Economics

## Unemployment will rise to 4.4% this year

The economy will improve next year, supported by tax cuts/extensions and the fading effects of tariffs on inflation.

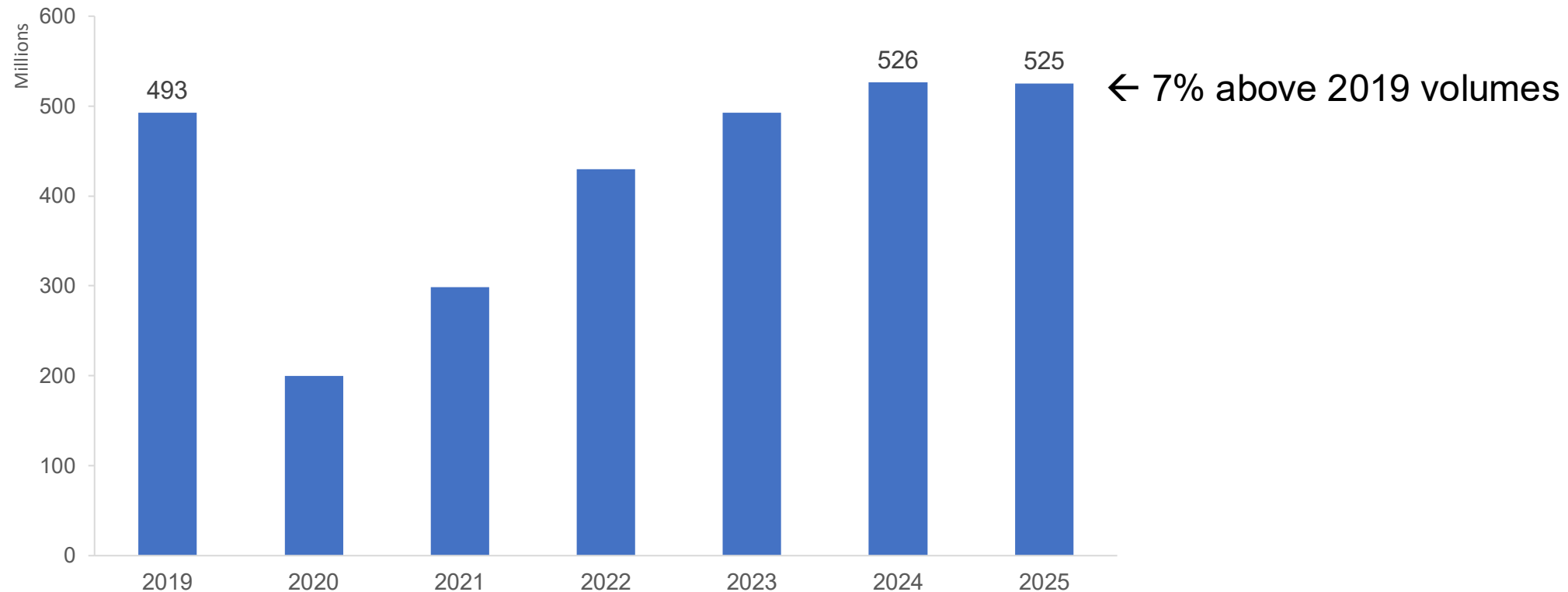
~ 35% odds of recession in the next 12 months (compared to 15% normal odds)

The economy is vulnerable and has little margin for error.

# **How are travelers reacting?**

# Air travel is flat compared to last year

**US Airport Volume**  
Jan-July

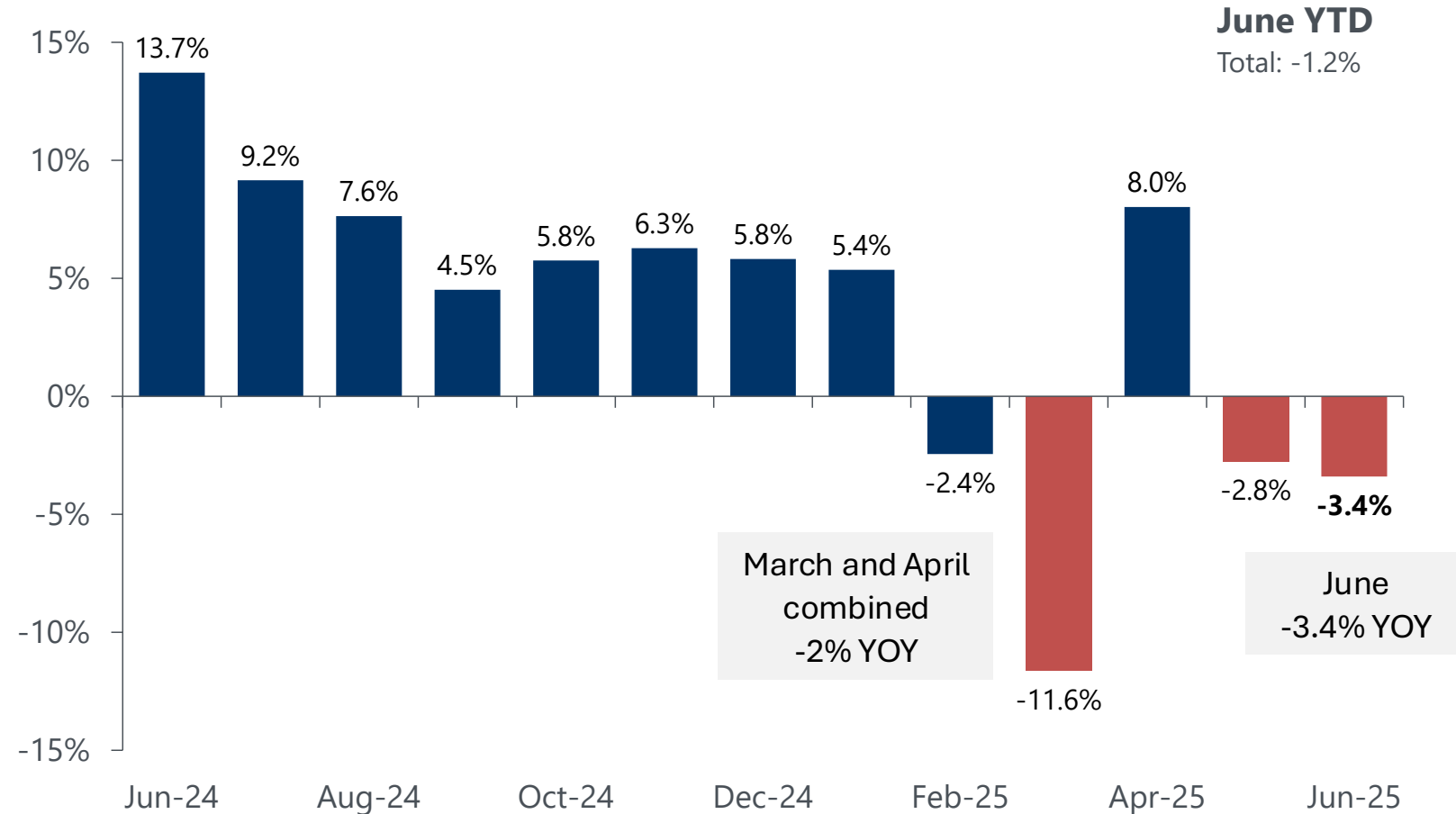


Source: TSA

# International visitors to the US in decline

## Overseas visitor arrivals to the US

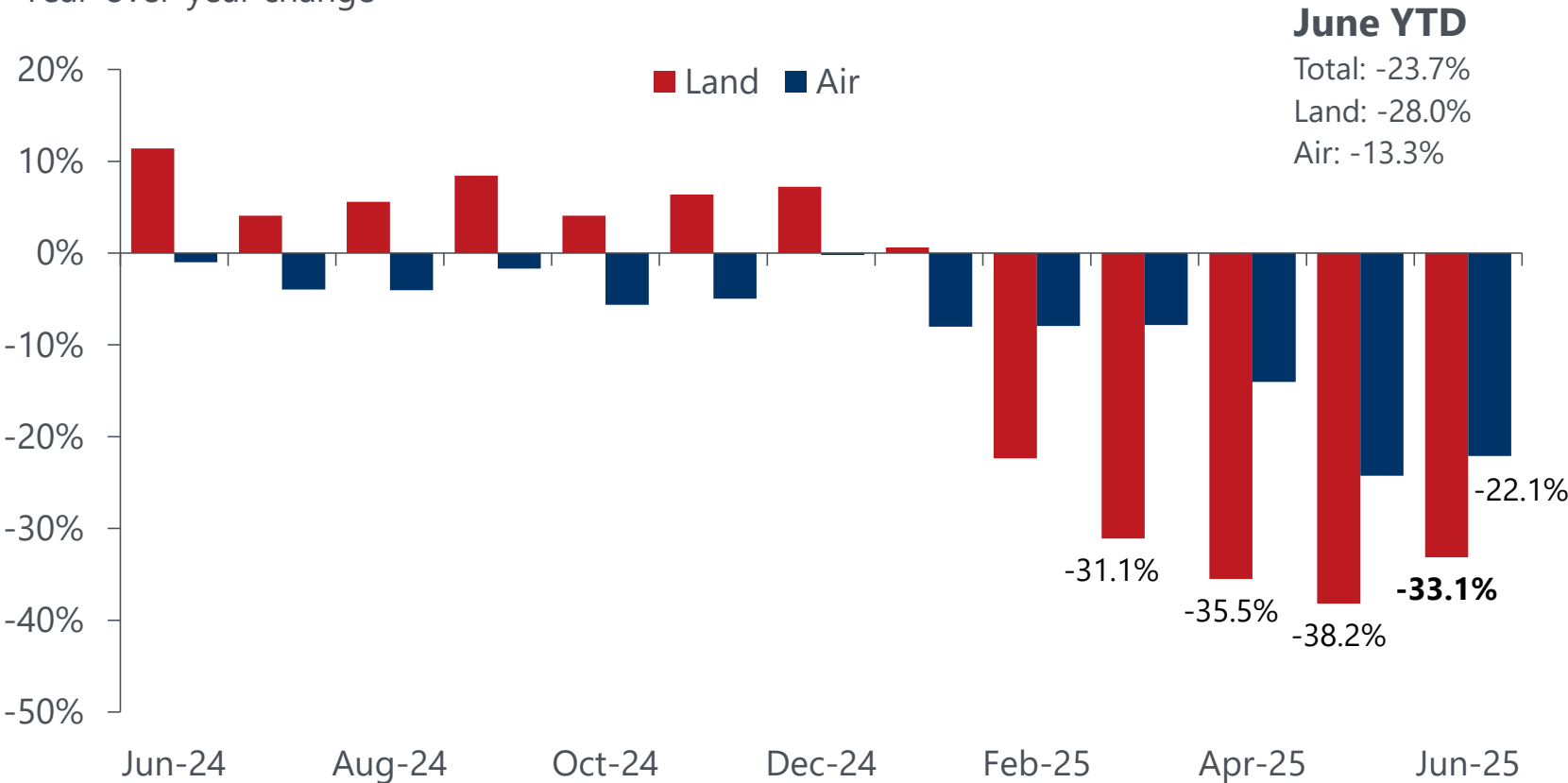
Year-over-year change



# Canada land travel continues to plummet

## Canadian-resident US return trips

Year-over-year change



Source: Statistics Canada

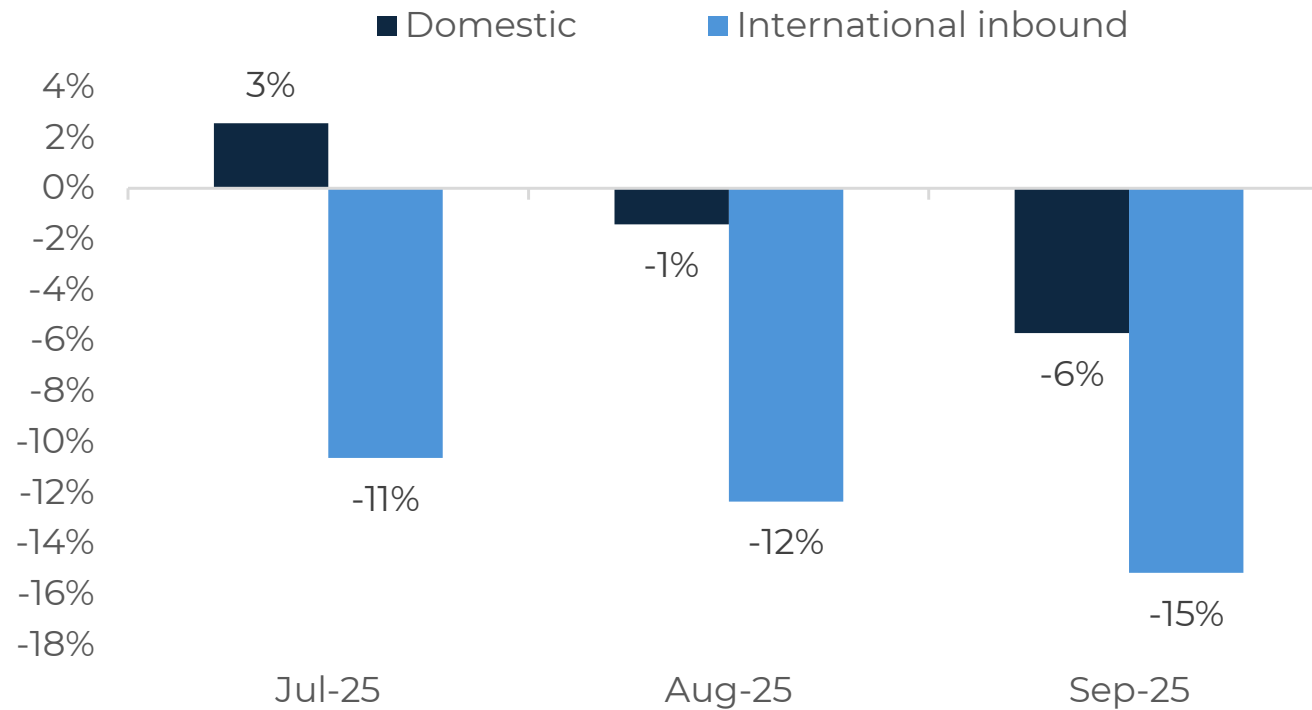
Note: Leading indicators for May and June 2025.



# Forward bookings point to continued declines

## US Air Travel Booking Pace

Year-over-year % change (as of June 2025)



Source: OAG

# Not exactly rolling out the welcome mat

## DOUBLING ESTA FEE TO \$40 'A SELF-IMPOSED TARIFF', WARNS US TOURISM CHIEF

07 JUL 2025 BY JAMES CHAPMAN

 > News > UK & World > Travel

### UK holidaymakers face doubling of 'waiver' fee in new ESTA change

The price of an appl  
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### Travelers to the U.S. must pay a new \$250 'visa integrity fee' — what to know

PUBLISHED FRI, JUL 18 2025 12:27 AM



Monica Pitrelli  
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GOVERNMENT AFFAIRS

### Senate proposal to slash Brand USA's budget sparks industry concerns

By Johanna Jainchill   | Jun 09, 2025

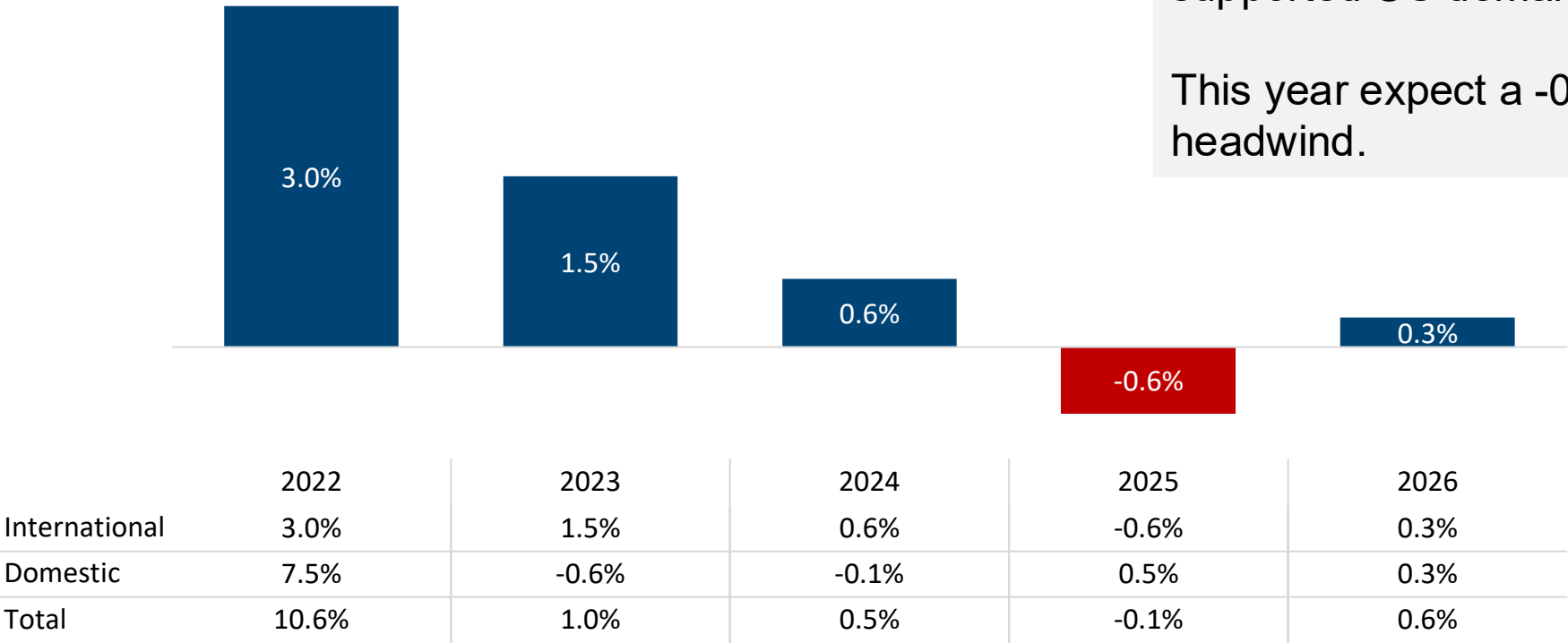
# Expected impact to US hotel demand

## US room demand growth

Domestic and international contributions to total growth

For the past three years, international inbound travel has supported US demand growth.

This year expect a -0.6% headwind.

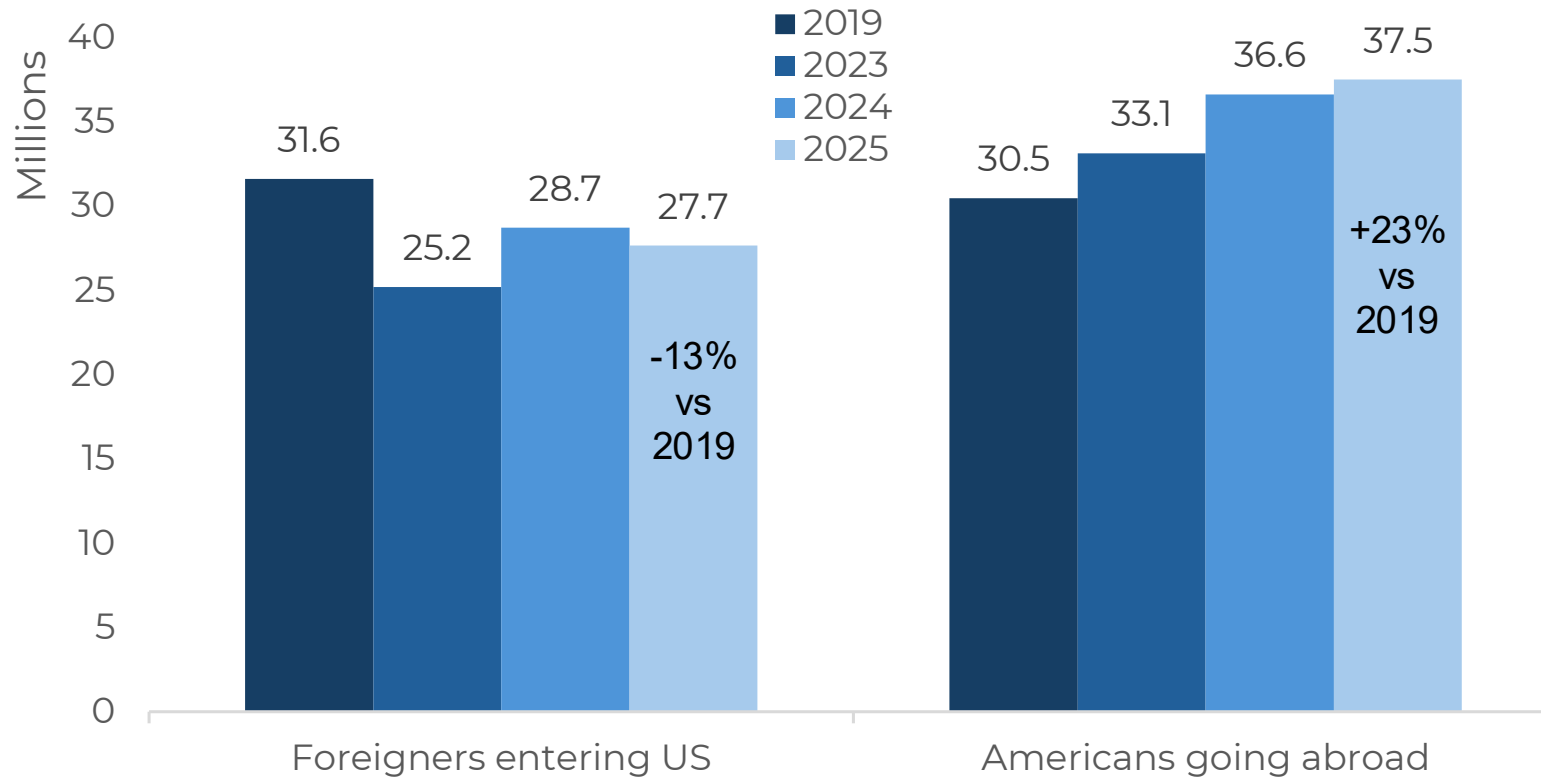


Source: CoStar-STR, Tourism Economics

# Fewer inbound passengers, strong outbound

## US inbound and outbound air travel (Jan-Jun YTD)

International passenger flows, in millions



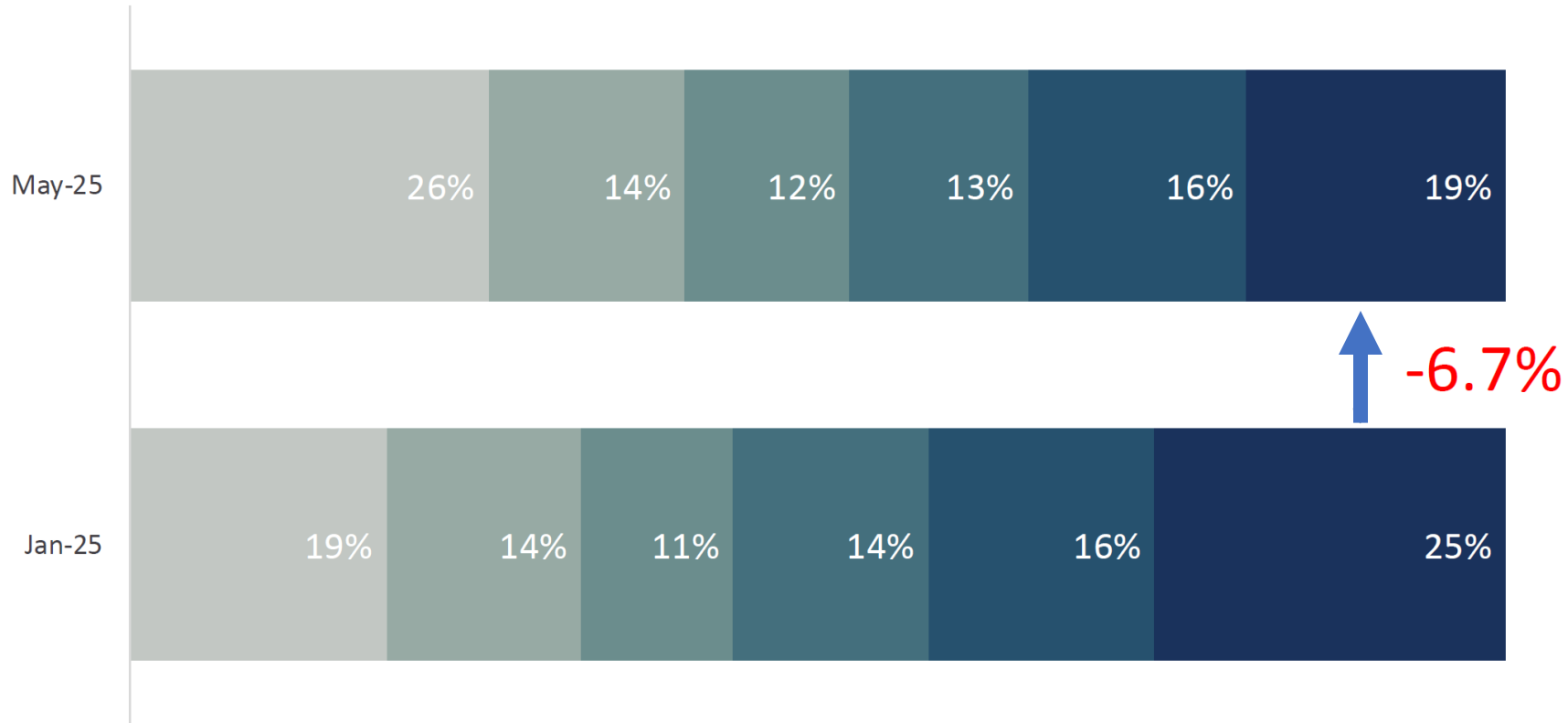
Source: APIS I-92

**Do you have anything  
positive to say?**

# Expected reductions in outbound travel will help

How likely are you to travel for an international leisure trip in the next 12 months?

■ Won't travel internationally ■ Very unlikely ■ Somewhat unlikely ■ Neither likely nor unlikely ■ Somewhat likely ■ Very likely



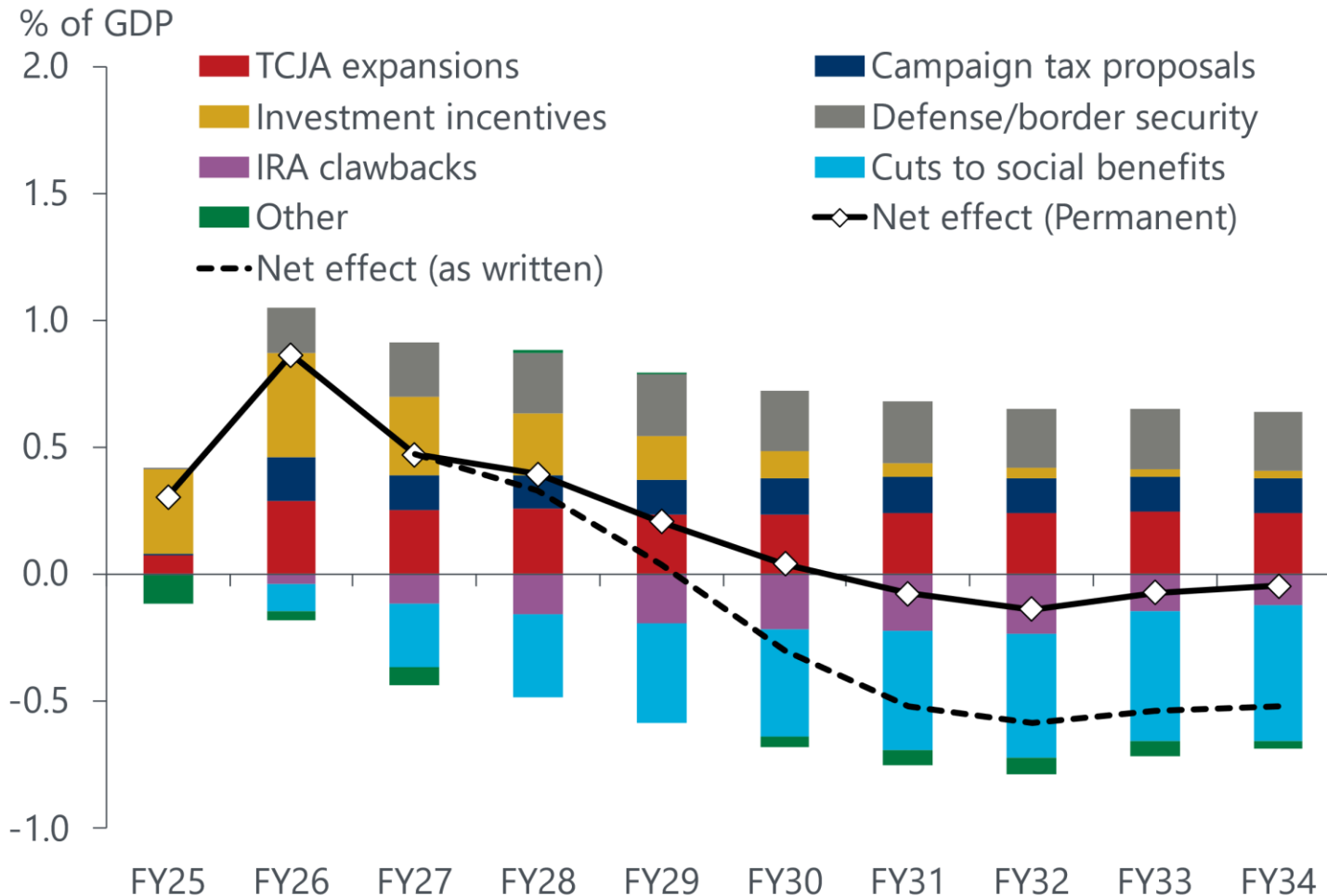
# Tempered optimism from airlines

“So this year, obviously, a really tough first half. We think we're going to get some nice tailwinds as we head on into the second half and expect expansion as we head into 2026.” - **American Airlines (7-24-2025)**

“The market and most businesses have a much better read on how they'll manage in a narrower range of outcomes. And encouragingly, that higher level of certainty has translated into a meaningful inflection point in demand.” - **United (7-17-2025)**

# Senate bill will boost growth next year

## US: Fiscal effect of Senate OBBA versus current policy



### Positive fiscal stimulus

- tax cut extensions
- tax cuts on tips, overtime, and car loan interest
- more generous state and local tax deduction

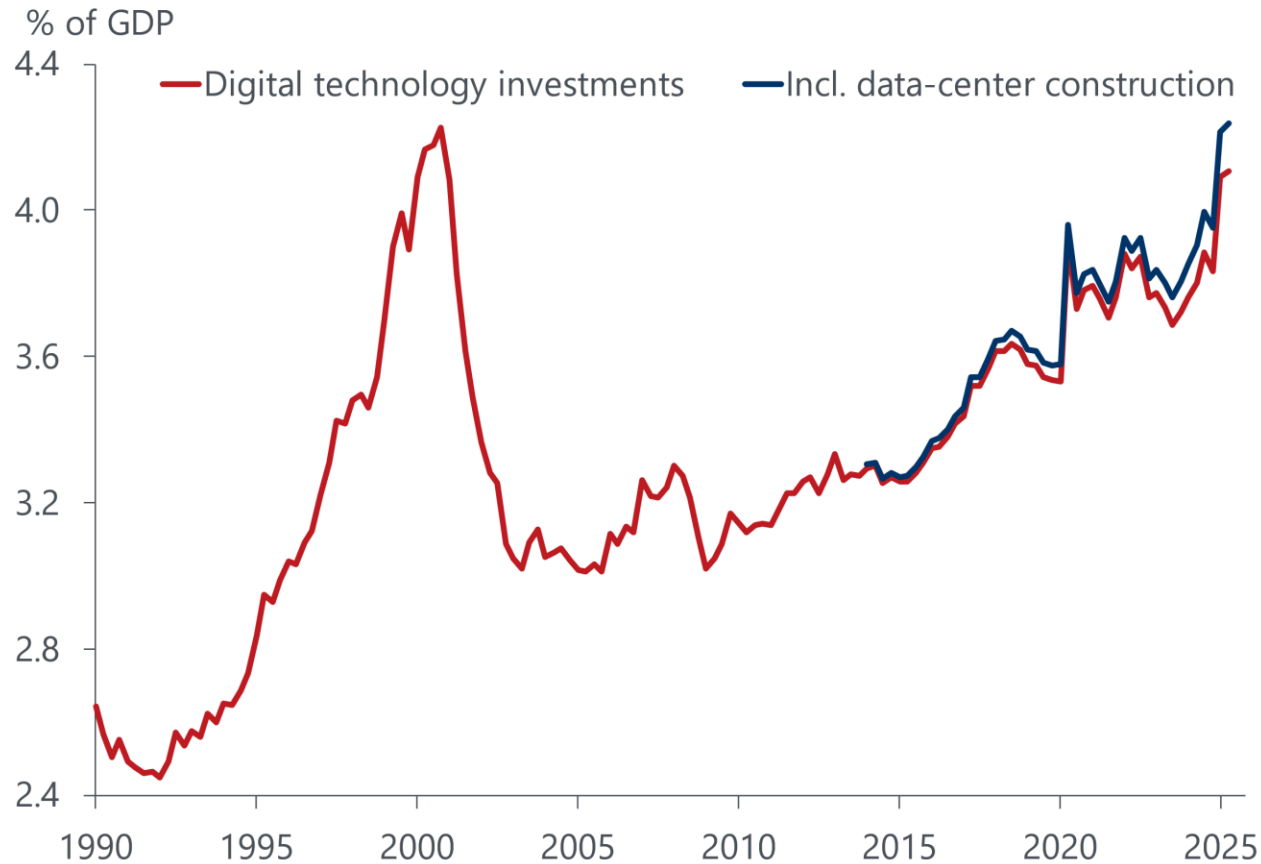
"For '26 to '28, we had messaged last time that, that group pace was in the higher single digits. That actually improved slightly from the last quarter. So yes, we see groups continuing to book out into the future."

Host, July 31



# One area of investment is thriving

US: Business spending on the digital economy

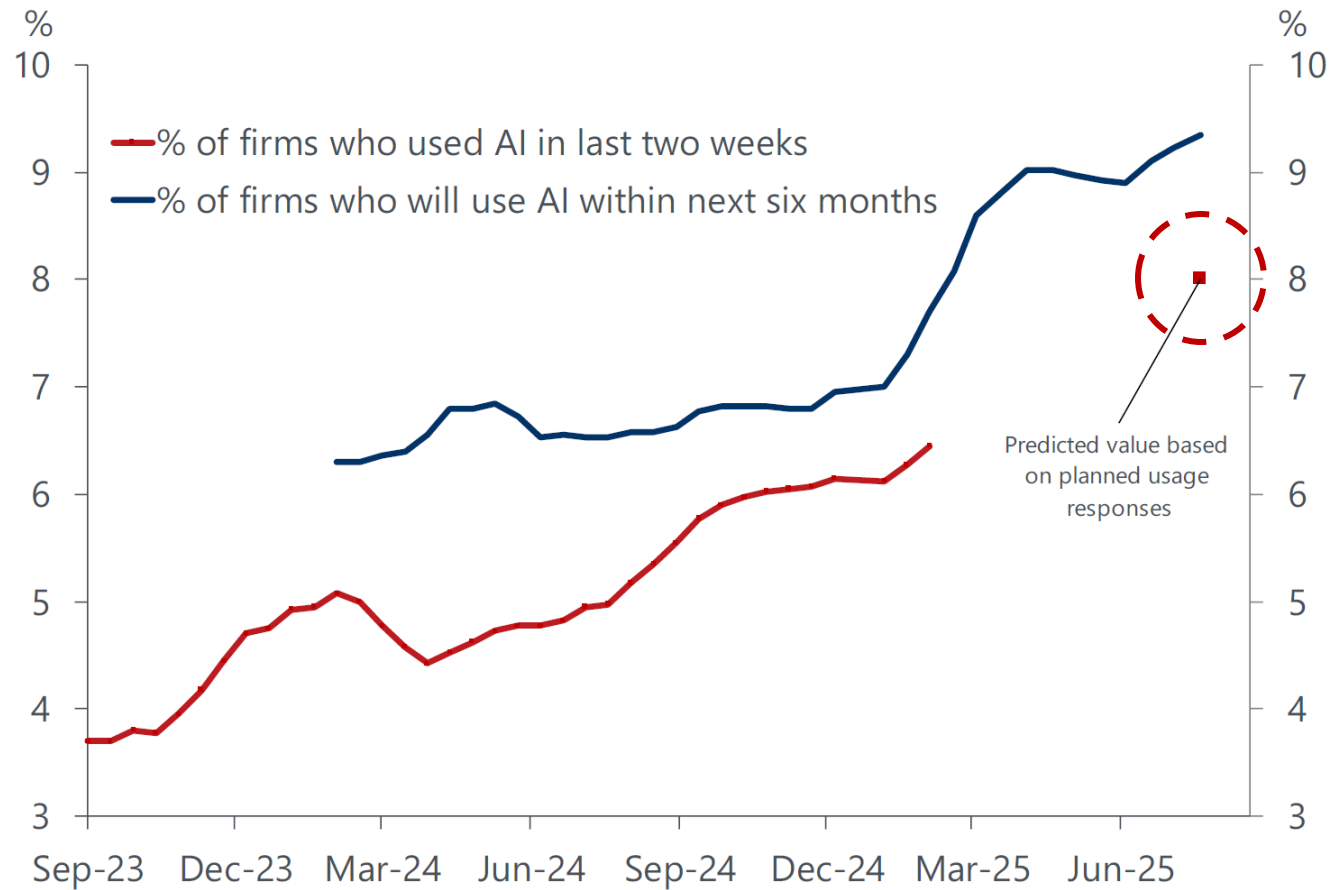


“Fourth quarter RevPAR growth is anticipated to accelerate from the third quarter ... group revenues for the third quarter pacing down 2% and **pacing up 6% for the fourth quarter.**”

Marriott, Aug 5

# Usage rates of AI are rising briskly

US: Usage of AI in business operations planned vs. actual



Source: Oxford Economics/Census BTOS

# Income still supports spending growth

US: Average hourly earnings  
Y/Y % change



“Leisure transient has probably been the surprise outperformer for us. And again, I will point to the **luxury and certain parts of the premium segment**. ...This desire for experiences over goods continues and the underlying trends that we see are excellent.’

Marriott, Aug 5

# Budget for domestic travel remains high

**Question:**  
How much IN TOTAL is the maximum you will spend on leisure travel (including airfare, accommodations and all other trip related spending) during the NEXT 12 MONTHS?

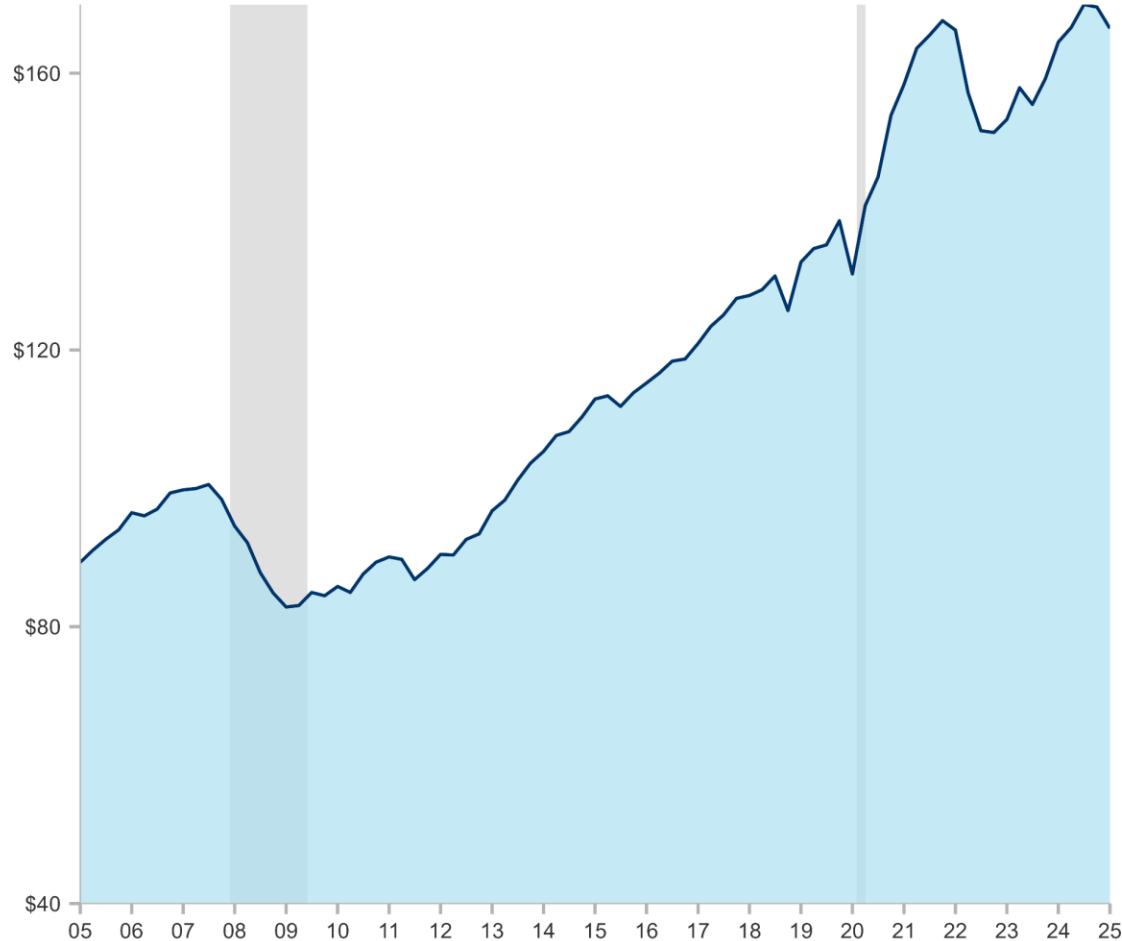
Maximum I would spend on leisure travel (next 12 months): \_\_\_\_\_



# Strong gains to household balance sheets

## Household net worth

In trillions, real



Note: 2024 dollars. Quarterly data through 2025Q1. Net worth of households and nonprofit organizations. Measures housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

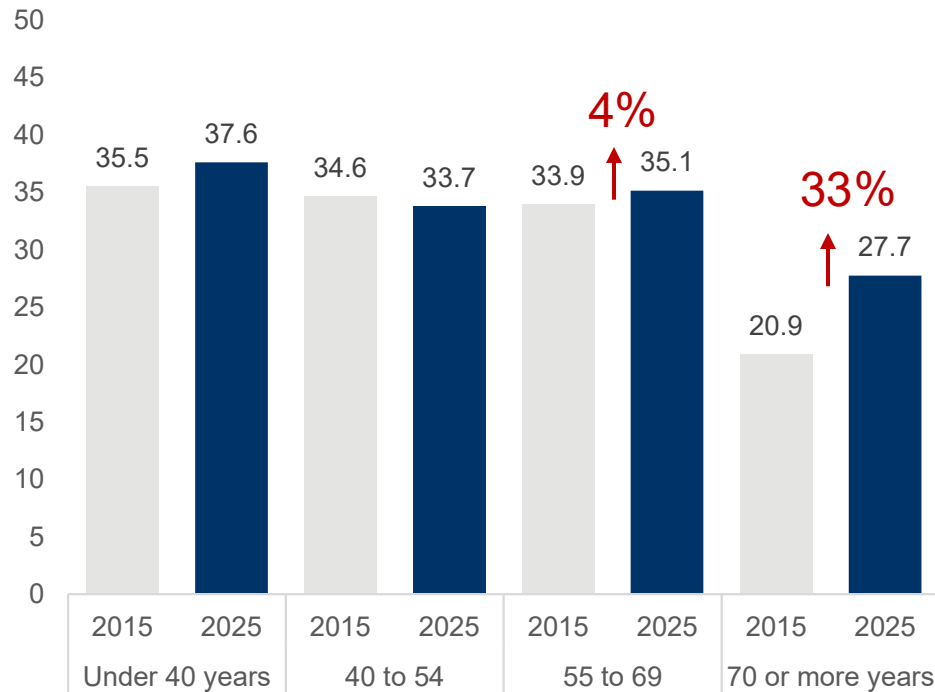
**"High-end resort properties continue to show resilience, no resistance to rate."**

Host, July 31

# Older US households (55+) now have \$114 trillion

## Number of Households by Age Group

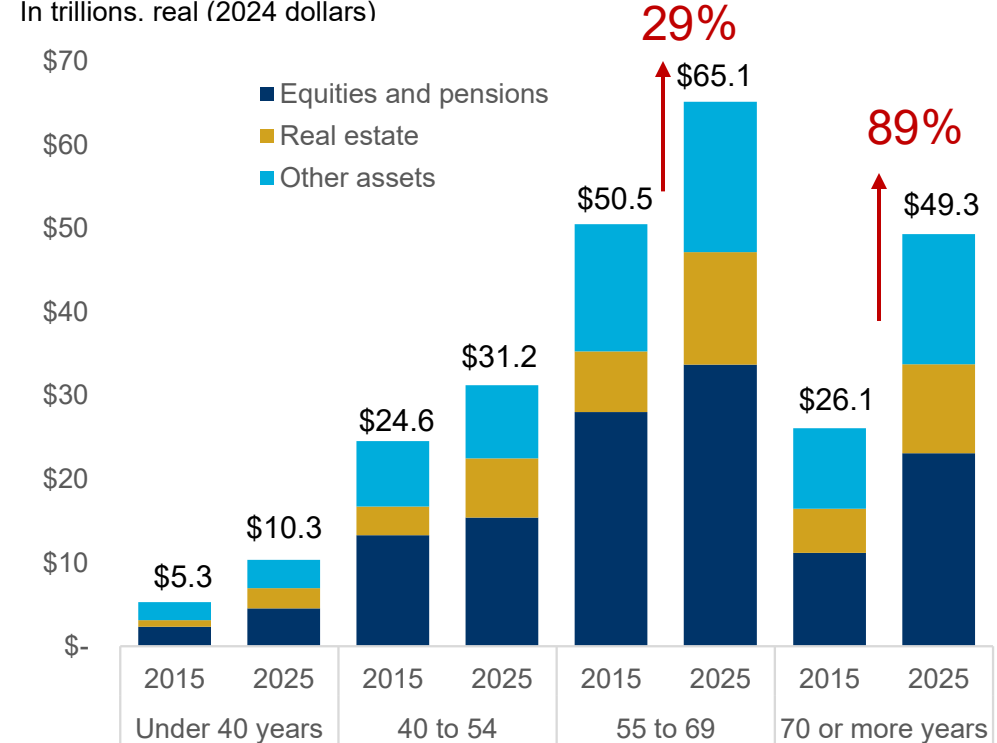
In millions of households



Source: Federal Reserve

## Household Net Worth by Age Group

In trillions, real (2024 dollars)



Note: Real estate is shown net of mortgages. Other assets include private businesses, consumer goods and other assets, net of other liabilities.

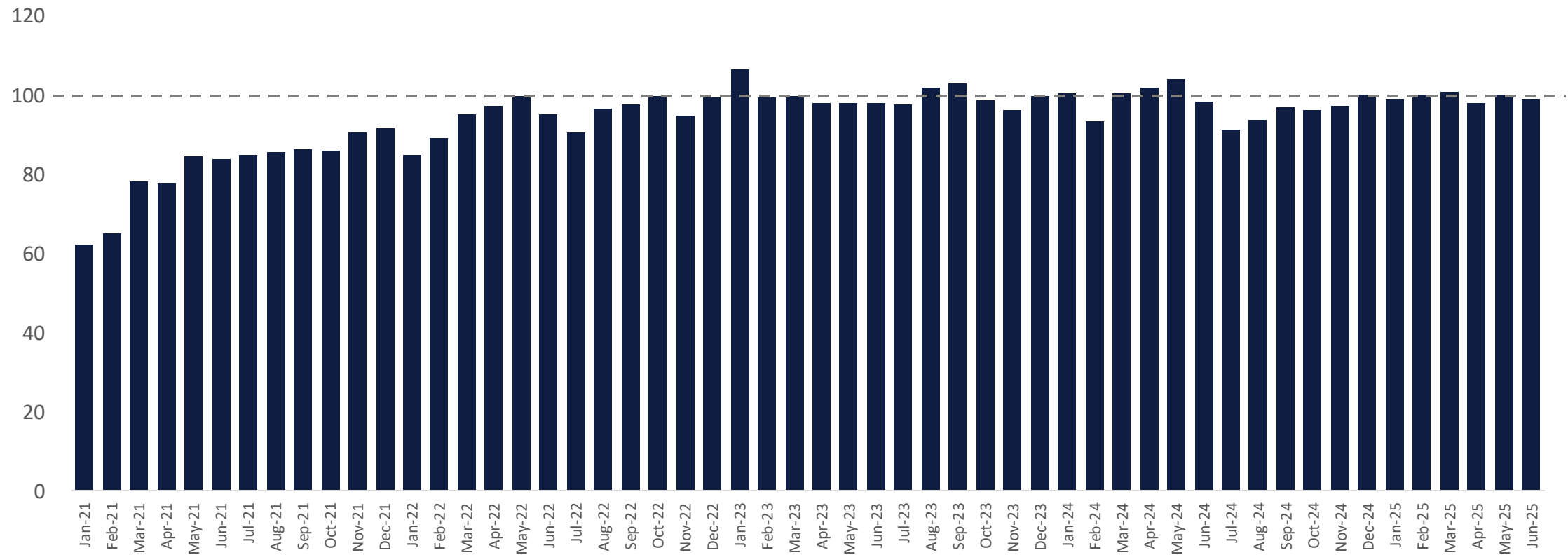
Source: Federal Reserve

# **What about the Dallas Region?**

# Hotel demand hovering around 2019 levels

## Hotel Demand

City of Dallas, % recovered vs same period in 2019 (index, 2019=100)

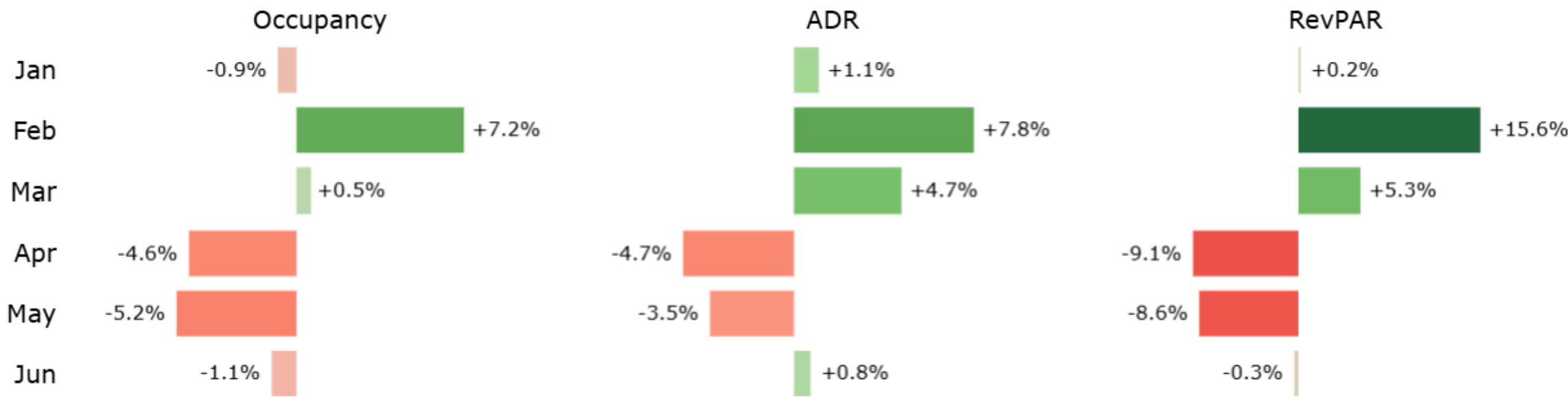


Source: STR



# But Dallas is not immune to national trends

2025 Hotel Performance  
City of Dallas, % change vs prior year



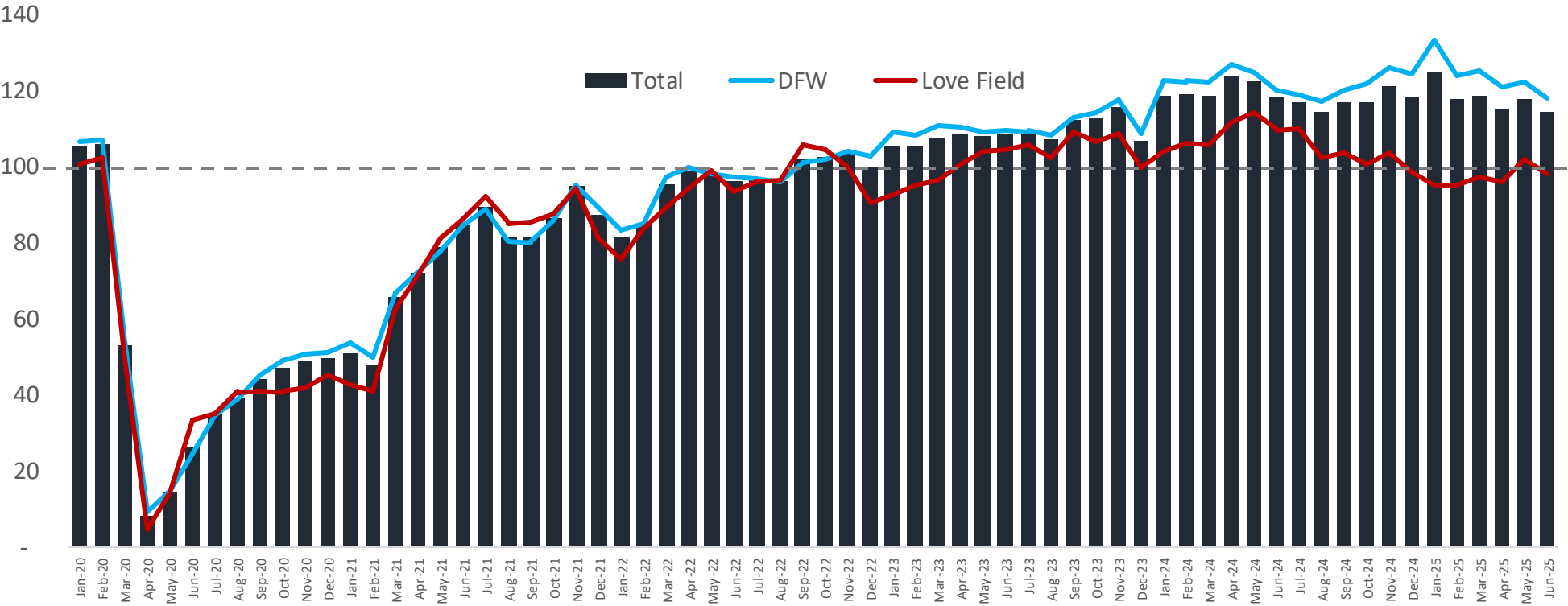
2025 YTD vs 2024	-1.0%	+ 0.8%	- 0.2%
2025 YTD vs 2019	-6.9%	+22.8%	+14.5%

Source: STR

# Air Travel remains elevated vs 2019, but slowing

## Dallas Air Travel

Throughput, % recovered vs 2019 (index, 2019=100)

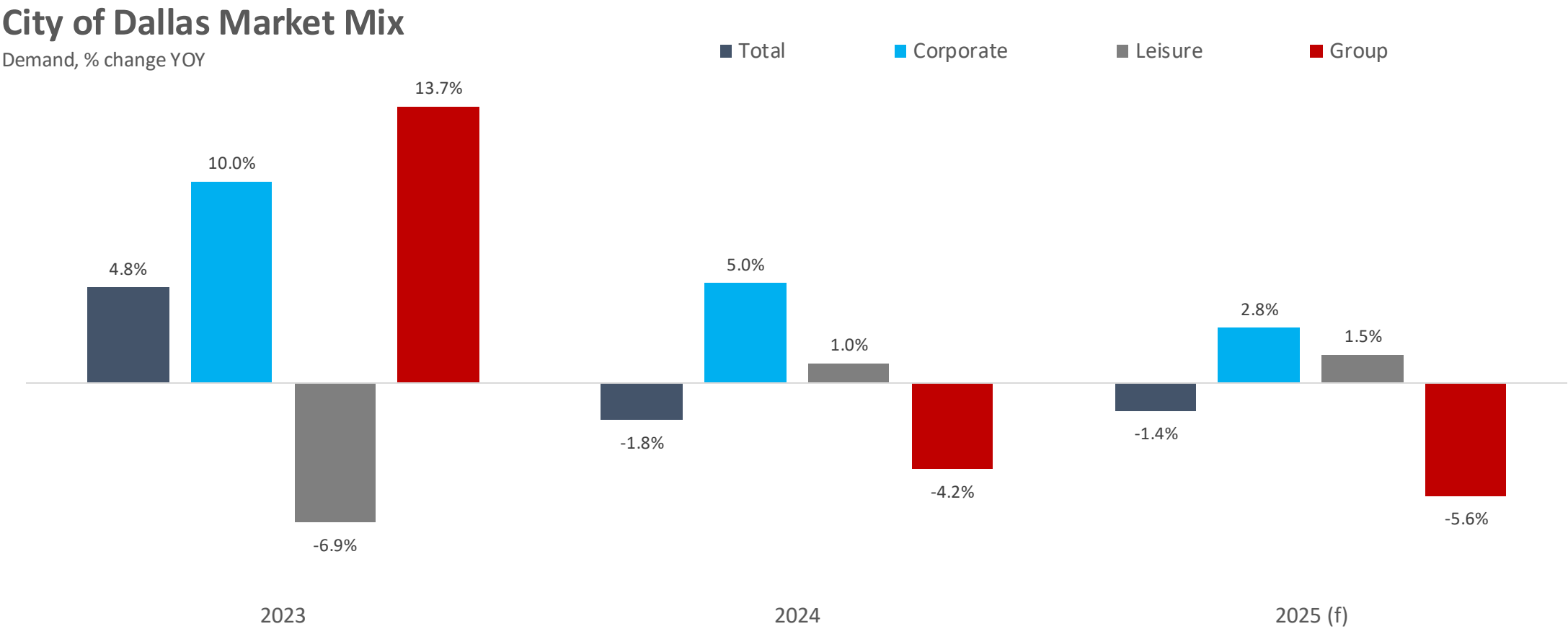


Source: TSA

**2025 YTD**  
(YOY % change, thru June)

DFW: -0.3%  
Love Field: -10.9%  
Total: -2.4%

# Convention Center renovation hampering group demand



Source: Tourism Economics (forecast as of July 2025)

Downtown is – not surprisingly – the most impacted by the renovations

Change in Group Rooms Committed for Future 12 months Compared to STLY

	June	July	August	September	October	November	December	January	February	March	April	May	Total
Dallas	(7,652)	(42,475)	(12,692)	(8,451)	(16,442)	(6,732)	(17,215)	1,020	(24,606)	(46,488)	(22,800)	(3,660)	(208,193)
Downtown Dallas	(2,006)	(39,665)	(25,846)	(10,699)	(13,091)	(6,839)	(11,508)	3,479	(20,523)	(36,302)	(8,891)	(4,799)	(176,690)
Rest of DFW	18,304	20,094	(13,217)	(23,957)	25,678	21,513	24,529	44,865	18,221	39,964	7,393	10,341	193,728

STLY Pace Percentage

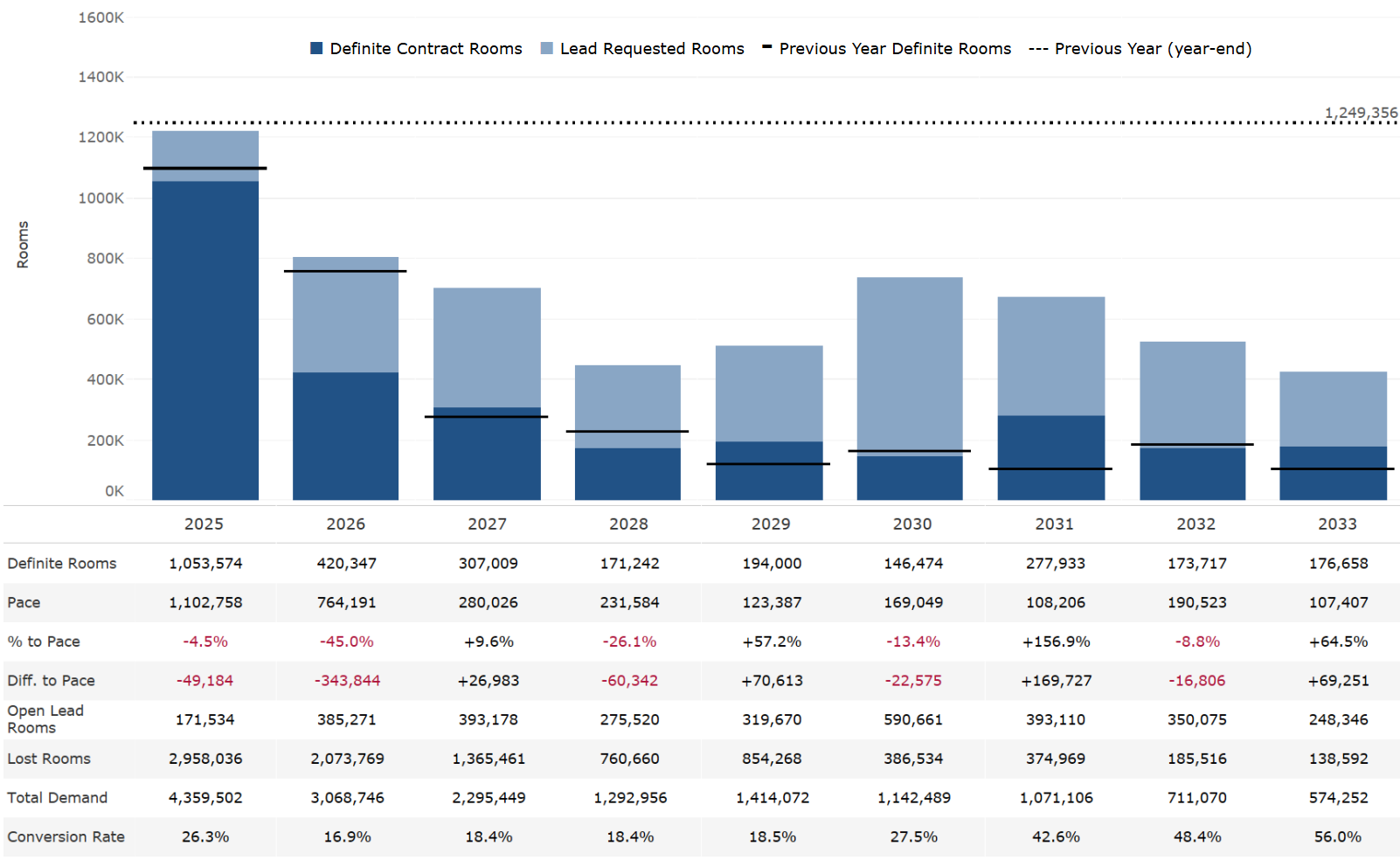
	June	July	August	September	October	November	December	January	February	March	April	May	Total
Dallas	-3.7%	-25.3%	-10.5%	-6.7%	-12.6%	-6.6%	-26.0%	1.2%	-27.1%	-41.0%	-27.9%	-7.4%	-15.5%
Downtown Dallas	-2.2%	-46.4%	-34.1%	-17.2%	-22.2%	-13.4%	-36.9%	8.4%	-37.1%	-49.4%	-19.3%	-11.5%	-24.8%
Rest of DFW	5.3%	6.9%	-5.9%	-10.1%	10.6%	12.5%	28.7%	41.2%	17.2%	49.2%	8.8%	18.9%	9.5%

Source: KeyData

# Impacts are evident in 2025 and the next three years

## Visit Dallas Booking Pace

All Visit Dallas-related group business compared to STLY, as of 8/11/2025



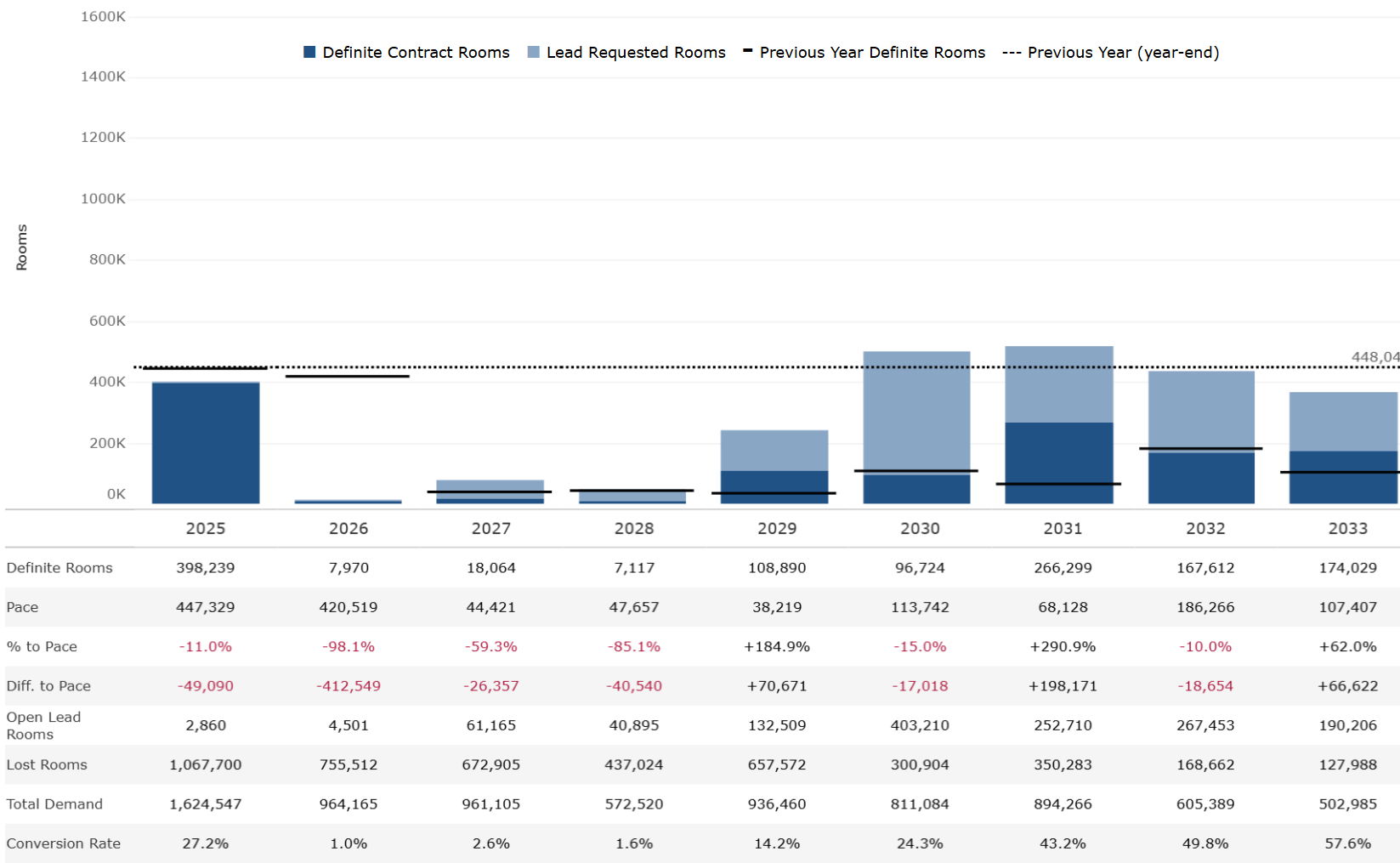
Source: Visit Dallas CRM System (Simpleview)

Last Updated 8/11/2025

# Limited number of citywide events until 2029 due to renovation

## Visit Dallas Citywide Booking Pace

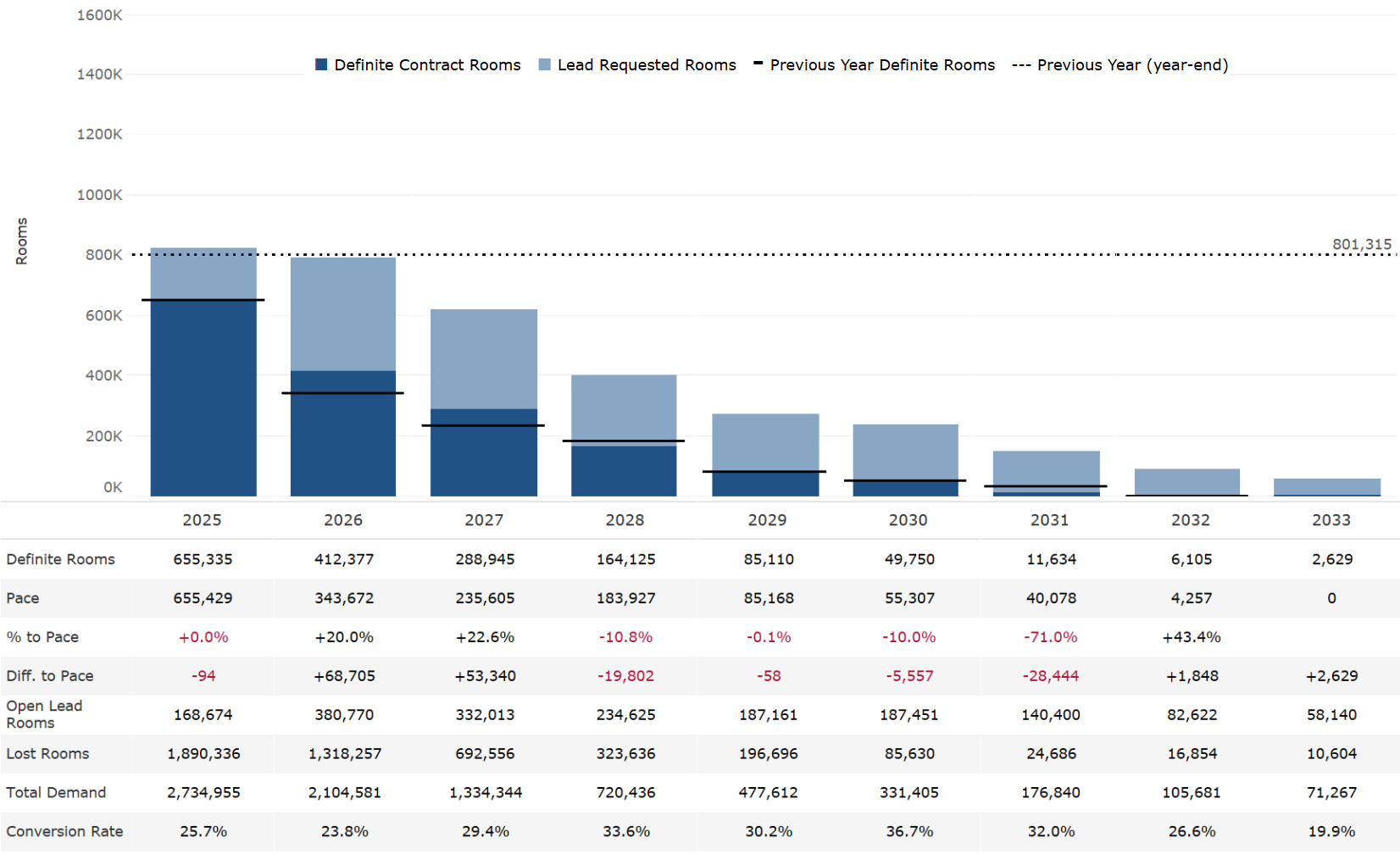
Visit Dallas-related citywide group business compared to STLY, as of 8/11/2025



# Hotel sales team is being successful in limiting the impact

## Visit Dallas non-citywide Booking Pace

Visit Dallas-related non-citywide group business compared to STLY, as of 8/11/2025

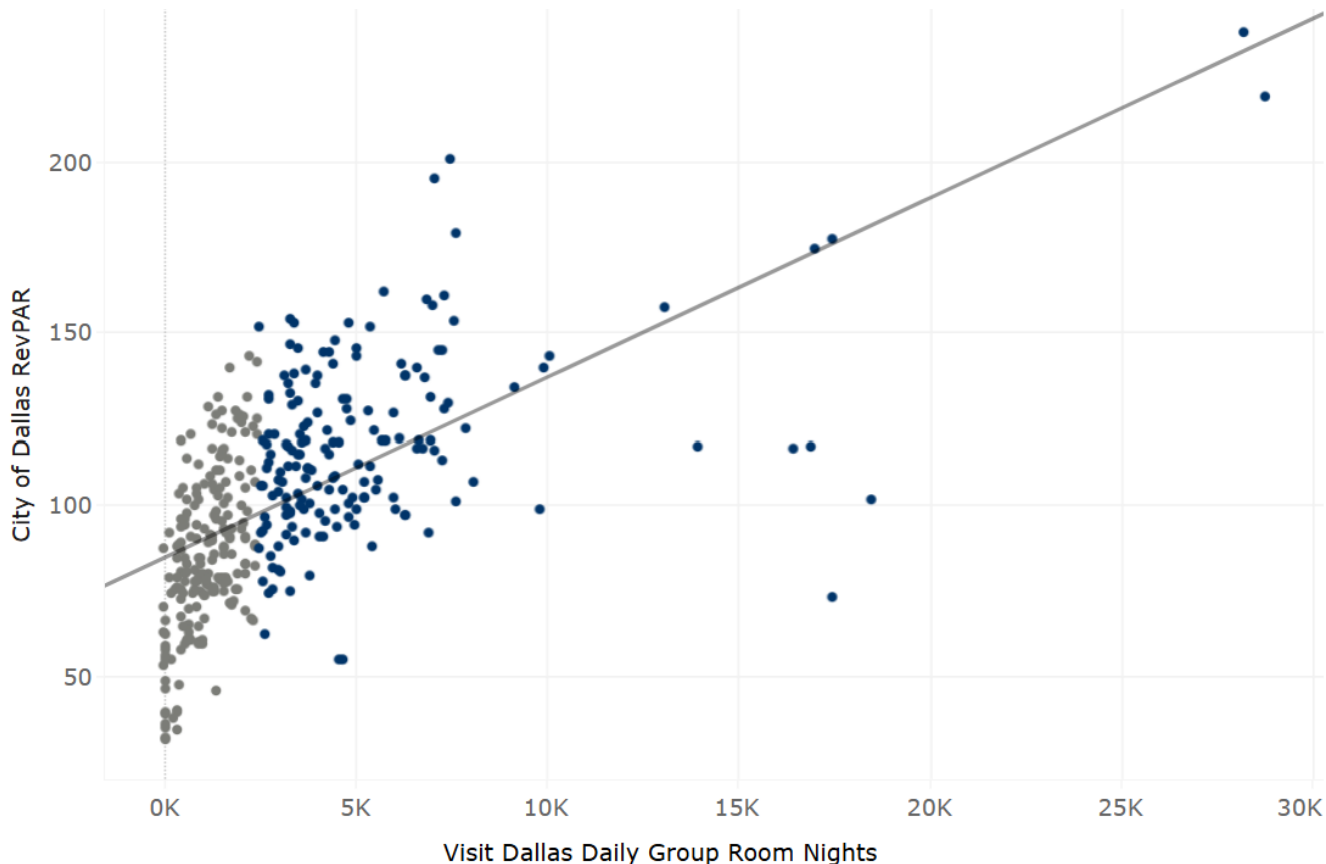


# Citywide events, on average, increases RevPAR by 27.6%

## Compression Impact from Citywide Events

City of Dallas, 8/2024-8/1/2025

	Occupancy	Average Daily Rate	Revenue Per Available Room
2.5K Daily DMO Group RN or More	67.8%	\$164	\$111
Less than 2.5K Daily DMO Group RN	59.3%	\$146	\$87





# Transient driving demand in 2025

## City of Dallas Hotel Forecast

Indicator	2024	2025 (f)	% Chg YOY	% Chg vs 2019
Corporate Transient	2.33M	2.39M	2.8%	6.0%
Leisure Transient	2.87M	2.91M	1.5%	7.0%
Group	2.71M	2.56M	-5.6%	-17.6%
Contract	332K	265K	-20.3%	-19.7%
Total	8.24M	8.12M	-1.4%	-3.4%

Source: STR (history); Tourism Economics (forecast as of July 2025)

# 2025 downgraded, but hotels are expected to bounce back in 2026

City of Dallas Hotel Forecast

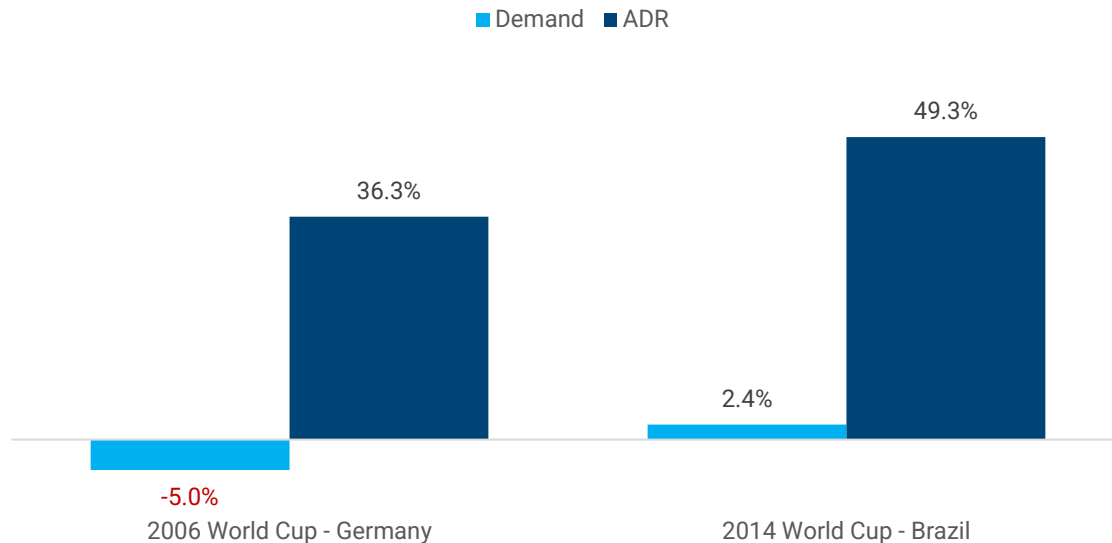
Indicator	2024	2025 (f)	% Chg YOY	% Chg vs 2019	2026 (f)	% Chg YOY	% Chg vs 2019
Occupancy	63.1%	61.9%	-1.9%	-9.2%	62.5%	0.9%	-8.3%
ADR	\$154.18	\$154.10	-0.1%	21.6%	\$163.85	6.3%	29.3%
RevPAR	\$97.31	\$95.37	-2.0%	10.5%	\$102.33	7.3%	18.5%
Supply (daily)	35,652	35,963	0.6%	6.3%	36,482	1.4%	7.9%
Demand	8.24M	8.12M	-1.4%	-3.4%	8.37M	2.4%	-1.1%
Room Revenue	\$1.270B	\$1.252B	-1.4%	17.5%	\$1.363B	8.8%	27.9%

Source: STR (history); Tourism Economics (forecast as of July 2025)

# FIFA World Cup – Historical View

## World Cup hotel room revenue lift

Average market-level impact, June matches only, excludes final



Notes: Market geographies as defined by CoStar-STR. Lift calculated as difference relative to the average performance the same month the year before and the year after the event.

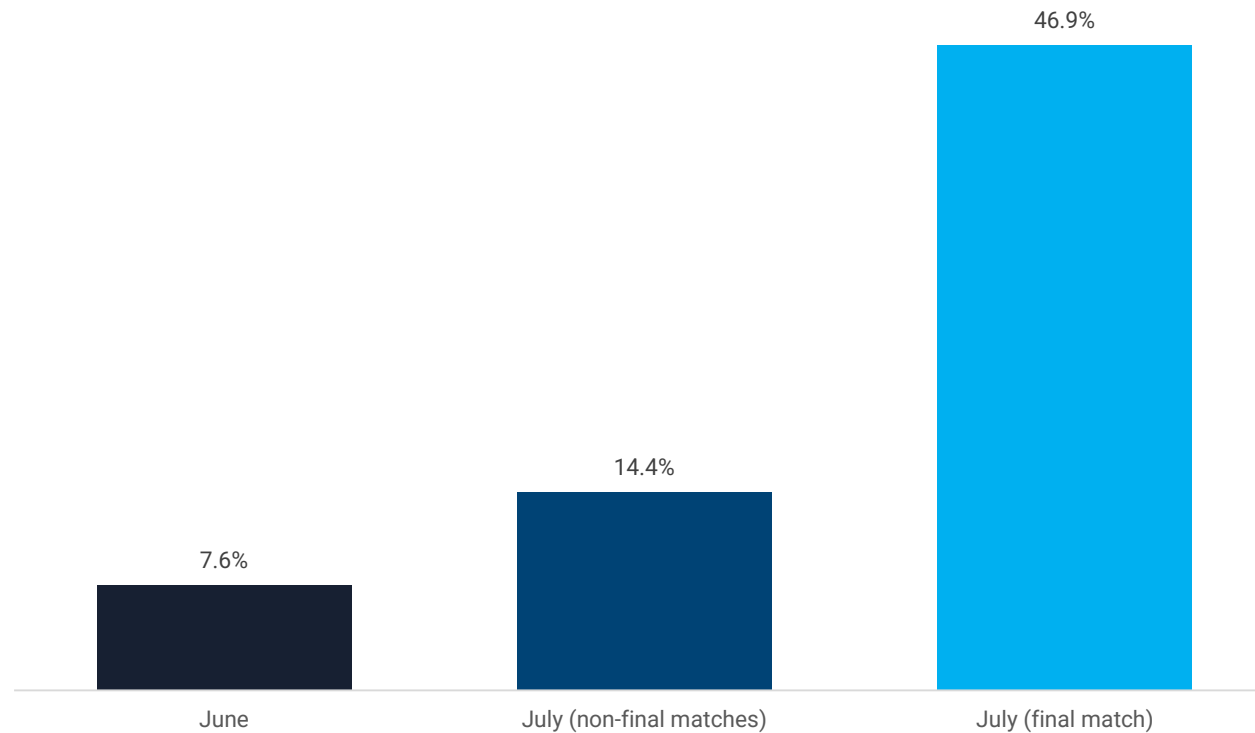
Source: Tourism Economics, CoStar-STR

- In both Germany and Brazil World Cups, the large majority of room revenue lift came from ADR with no impact to room demand. This suggests usual traffic may divert away from those higher ADR nights to some extent.
- We expect Dallas to see similar trends in June/July 2026. Our prior forecast assumed room demand growth that historical World Cups did not see. This represents the majority of the change in this forecast update.

# FIFA World Cup – Historical View

## 2006 FIFA World Cup - Germany

Monthly ADR lift per match, Host Market



Notes: Market geographies as defined by CoStar-STR. Lift calculated as difference relative to the average performance the same month the year before and the year after the event.

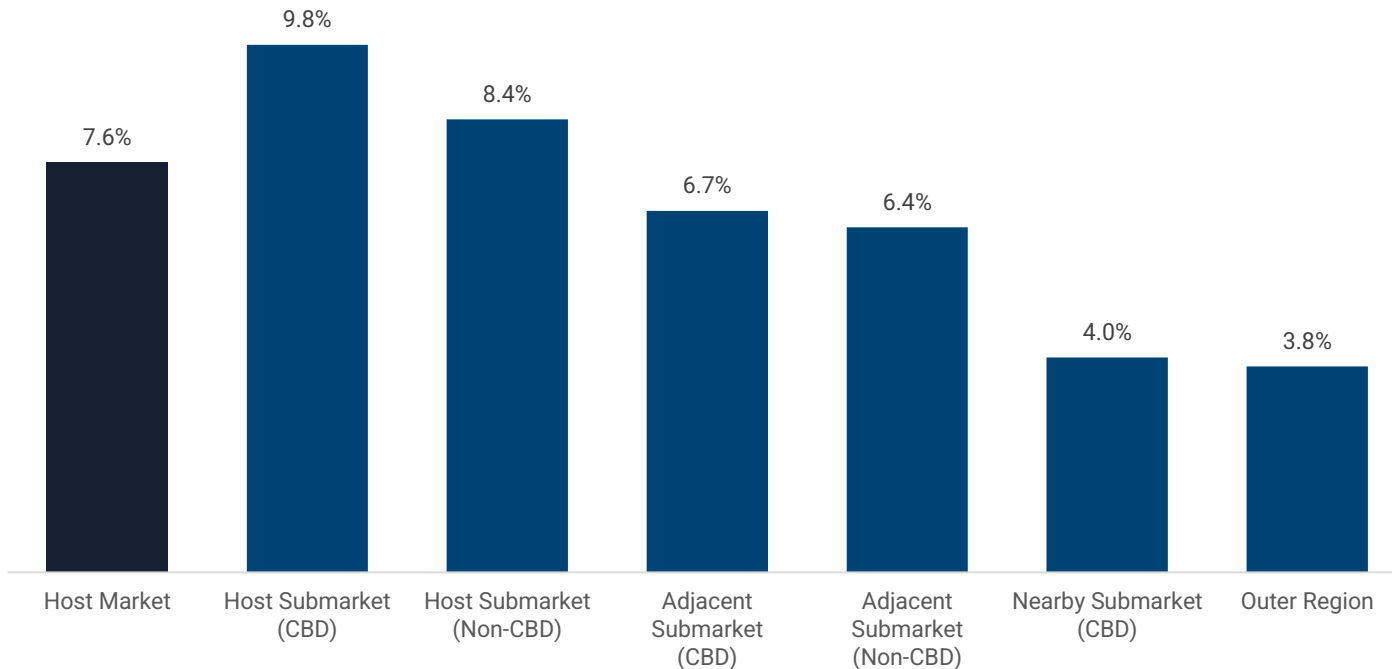
Source: Tourism Economics, CoStar-STR

- Later matches created greater ADR lift.
- We expect Dallas to see a similar trend. With five matches in June, we now expect 29% growth in ADR. With four later-stage matches in July, we now expect 42% growth in ADR.

# FIFA World Cup – Historical View

## 2006 FIFA World Cup - Germany

Monthly ADR lift per match, June only



Notes: Market geographies as defined by CoStar-STR. Lift calculated as difference relative to the average performance the same month the year before and the year after the event. Nearby Submarket (CBD) must be within 20 miles of stadium and not already host or adjacent. Submarkets in Outer Region are surrounding regional areas within the host market.

Source: Tourism Economics, CoStar-STR

- Submarkets throughout the Host Market benefited from the World Cup.
- In the case of the city of Dallas, which incorporates an area that does not include AT&T Stadium (Arlington), we expect ADR in the city of Dallas to perform similarly to a historical Adjacent Submarket (CBD). Five matches in June at a 6.7% ADR lift per match, would theoretically lift June ADR by 33%. This is very close to our new expectation of 29% growth in June ADR.
- The presence of Fort Worth, and the slightly further distance than 'adjacent', the International Broadcasting Centre, and other general differences expected in this World Cup are all additional assumptions included in this forecast update.

# **As a short story**

## **The near-term outlook is soft and risky**

- US economy is on a tight rope. Expect higher inflation, slower economic growth, weaker labor markets
- International markets will continue as a drag on performance

## **The outlook is more promising, if you look out a little farther**

- Domestic travel is resilient
- Higher income households will play an outsized role
- International imbalances will improve
- The economy is very likely to strengthen into 2026 and 2027