EXECUTIVE SUMMARY

2011 VISITOR PROFILE AND ECONOMIC & FISCAL IMPACTS OF HUNTINGTON BEACH TOURISM

HORIZON
CONSUMER SCIENCE

July 26, 2012

Steve Bone, President/CEO
Bob Wentworth, Vice President Marketing
Huntington Beach Marketing & Visitor Bureau
301 Main Street, Suite 201
Huntington Beach, CA 92648

Dear Mr. Bone and Mr. Wentworth:

We are pleased to present this Executive Summary of the 2011 Huntington Beach Visitor Profile and Economic & Fiscal Impacts study. The annual measures, and our findings and conclusions represent tourism activity based on quarterly on-site visitor interviews and reflect then-current market conditions. While these are not specific measures, the economic model utilized for this study by CIC Research, Inc. generates a reliable reflection of Huntington Beach's tourism industry situation.

Should you have questions or comments regarding, or seek further interpretation or applications of the findings or data, please contact me. Note, neither this report, nor any of its findings or conclusions may be used in any prospectus or public offering or in conjunction with any public or private transactions.

It has been our pleasure to work with you, your associates, and the Huntington Beach tourism industry during this most worthwhile engagement.

Sincerely,

Sr. Vice President

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Destination and Study Background

Background

- **Overview:** Huntington Beach is a popular Southern California coastal resort, specifically known as "Surf City USA."
  - The destination offers a wide range of natural and developed visitor-serving facilities and amenities, including beaches, surfing and other water activities, the iconic Huntington Beach Pier, as well as diverse lodging, food and beverage outlets, retail shopping, cultural arts venues, and a lively village oriented downtown district adjacent to the beachfront.

- **Objectives:** Given tourism's importance to the local economy, the Huntington Beach Marketing & Visitors Bureau commissioned this first ever comprehensive study to measure the size, and economic and fiscal contributions of the tourism industry to the city, and to identify visitor trip characteristics and demographics.
  - The study and results represent calendar year 2011.
  - The study was based on quarterly intercept interviews among a valid, random and representative sample of 795 visitor groups, a survey of local households and an analysis of paid lodging performance. The total sample has a variance of +/- 3.5% at 95% confidence level.
  - The study excludes the four lodging properties (103 rooms) in Sunset Beach

- **Uses**: The results are invaluable for guiding marketing, operations and communitywide development planning in order to further build a viable and optimal tourism market.

Summary of Impacts – $282 mill. Total Spending & $8 mill. in Taxes

Huntington Beach visitation reveals the following overall economic and fiscal indicators for 2011:

- **Direct visitor spending** of **$281.9 million** in the local economy.
  - Applying an economic **multiplier of 1.3** to direct spending results in a total of $366.5 million of direct and indirect spending, an incremental $84.6 million of spending in the local economy by tourism-serving businesses and employees.

- **Tax revenue** to the City of Huntington Beach of **$8.2 million** from direct visitor spending; **$6.6 million is lodging tax** and **$1.6 million is retail sales tax**.

- Estimated **2,721 jobs** (3.6% of 75,675 citywide workforce*) supported by visitor activity

Table 1 – Summary of Visitor Volume and Spending

Measure	2011
Total visitors (millions)	2.94
Avg. length of stay (days) [1]	1.56
Total visitor days (millions)	4.57
Total visitor spending (millions)	$281.9
Avg. Daily Spending/person	$61.68

* Source: Profile of City of Huntington Beach, So. California Association of Governments, May 2011.

Visitors Spent the Most - $91 million - on Meals Out in Huntington Beach

By category, visitor spending in Huntington Beach on an aggregate annual basis, per-person per-day is discussed below and shown on the next tables.

- Total annual 2011 visitor spending was $281.9 million. Each visitor spent a daily average of $61.68 in the destination.
- The top spending categories for all visitors were:
  - meals out was first at $90.7 million, and 32% of spending.
  - Combining meals and beverages makes the category even higher, to $117 million, or 42% of total spending..
  - Lodging was next at $73.7 million, or 26% of the total.
  - Shopping was $66.9 million, nearly one-quarter of the total.
- The next tier shows:
  - $26.7 million or 9.5% was spent for beverages
  - $12.8 million or 4.5% on local transportation & parking
  - $5.1 million or 2% for groceries/incidentals.

Table 9 – Spending in Huntington Beach by All Visitors by Category

Spending Category	Daily Per Capita Spending	Total Annual Expenditures*	Ratio
Meals	$ 19.83	$ 90,653,000	32.2%
Lodging	$ 16.13	$ 73,733,000	26.2%
Shopping/gifts	$ 14.63	$ 66,888,000	23.7%
Beverages	$ 5.84	$ 26,688,000	9.5%
Local Transport/Parking	$ 2.80	$ 12,791,000	4.5%
Groc./Conv./Incidentals	$ 1.11	$ 5,075,000	1.8%
Amenities/Health Spa	$ 0.52	$ 2,369,000	0.8%
Activities	$ 0.46	$ 2,096,000	0.7%
Admissions (attractions)	$ 0.36	$ 1,654,000	0.6%
Total	**$ 61.68**	**$ 281,947,000**	**100.0%**

Volume and Spending Illuminates Dynamics by Visitor Lodging Segment

Comparing key measures by visitor lodging [1] provides deeper insight of the results, discussed and shown in the table below.

- **Volume**: As shown, Day visitors are the largest segment with 2.3 million annual visitors and account for 80% of total volume. Another 377,600 or 13% are Hotel guests and 219,500 or 7.5% are Other Lodging guests.

- **Visitor Days**: When factoring in length of visit, Day visitors with a one-day stay slipped to a 51% share of the nearly 4.6 million visitor days, while Other Lodging guests, with a 4.5 day stay, rose to a 21% share of visitor days, while Hotel guests spiked to a 27% share with 1.2 million visitor days.

- **Spending**: Finally, these dynamics are most marked and divergent for total spending. Hotel guest spending share soared to almost 60%, with $167 million of the $282 million of total spending, due to their daily per-capita spending of $136. Spending by Other Lodging guests accounted for 17% based on their $48 per capita daily spend, while Day visitors' share slipped to only 23%, at $65.9 million based on $28 per-capita daily spending.

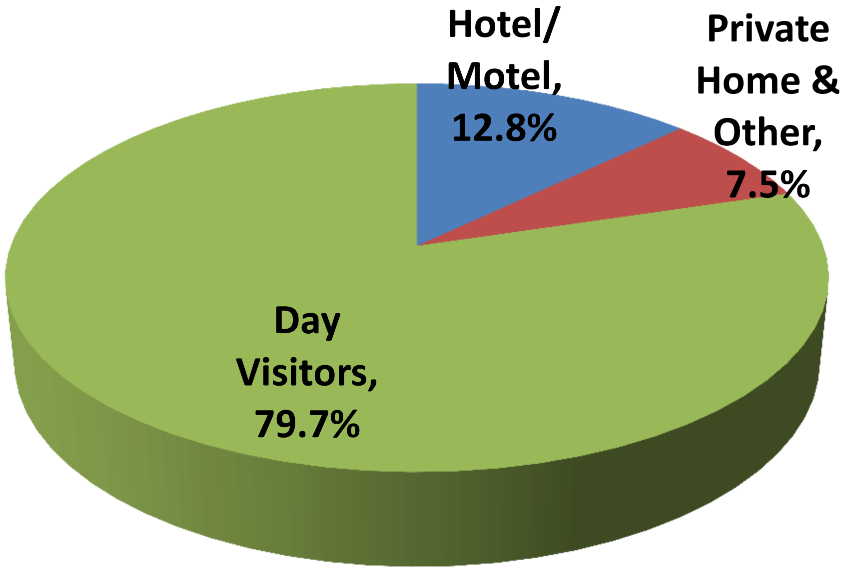
Table 2 – Visitor Volume, Days and Spending by Lodging Segment

HB Lodging Segment	Visitor Volume		Avg. Length of Stay	Avg. Travel Group Size	Visitor Days		Per-Person Daily Spending	Total Visitor Spending	
	Total Amount	Ratio			Total Amount	Ratio		Total Amount	Ratio
Hotel visitor	377,583	12.8%	3.27	3.37	1,233,012	27.0%	$ 136.17	$ 167,904,000	59.6%
Home visitor	219,482	7.5%	4.54	2.68	997,253	21.8%	$ 48.29	$ 48,158,000	17.1%
Day visitor	2,342,267	79.7%	1.00	3.58	2,342,267	51.2%	$ 28.13	$ 65,887,000	23.4%
Total	2,939,332	100.0%	1.56	**3.47**	4,572,532	100.0%	$ 61.68	$ 281,949,000	100.0%

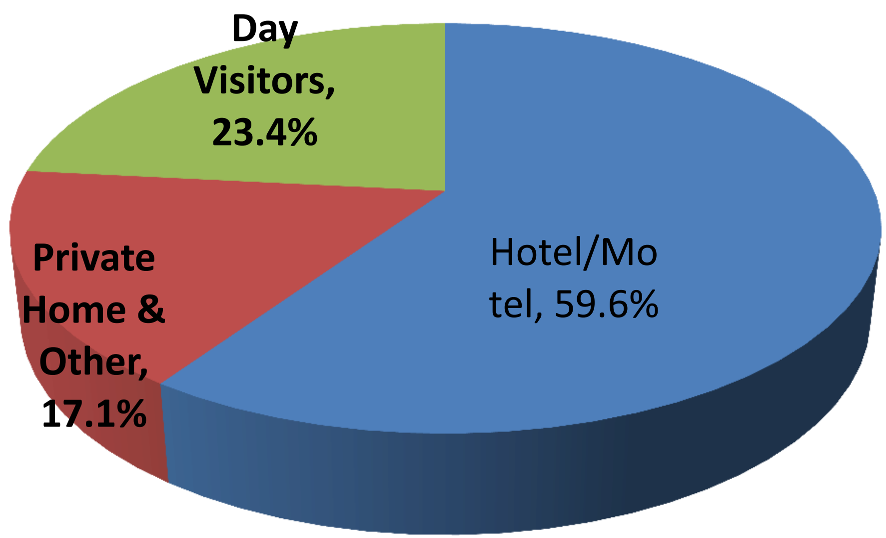
[1] "Hotel" represents guests staying overnight in a Huntington Beach (excluding Sunset Beach) hotel, motel or inn, "Other Lodging" are guests who stayed in other Huntington Beach paid or unpaid lodging, and "Day visitors" are those in Huntington Beach during the day but not staying overnight

Hotel Guests Spend Far More Relative to their Volume

Annual Visitor Volume



Annual Visitor Spending



Hotel/Motel Supply & Demand

Huntington Beach is part of the Orange County lodging market and Orange Coast submarket.

- For 2011 Huntington Beach contained 1,826 rooms in 17 hotels, motels and inns (at least 80% of guests stays less than 30 days). Excluded are four Sunset Beach properties with 103 rooms.
- The market falls into three tiers: First-Class with 3 properties and 964 available rooms, Mid-Level with 7 lodgings and 623 rooms, and Value with 7 motels and 239 rooms.
- On an annualized basis, Huntington Beach hotels offer 666,490 available rooms.
- In 2011the market achieved an overall estimated occupancy rate of 66.9%, with 445,847 total occupied rooms and an overall average rate of $150.85.
    - By tier, the largest First-Class tier was top with a 73% annual occupancy and $202 average rate.

Table 3 – Huntington Beach Hotel Supply and Demand

Market Summary	Prop-erties	Daily Available Rooms	Annual Avail. Rooms	Annual Occupied Rooms	Occupancy Rate	Avg. Room Rate
First Class	3	964	351,860	258,420	73.4%	$ 202.19
Mid-Level	7	623	227,395	135,460	59.6%	$ 83.03
Value	7	239	87,235	51,966	59.6%	$ 72.32
Total Market	**17**	**1,826**	**666,490**	**445,847**	**66.9%**	**$ 150.85**

Note: excludes Sunset Beach lodging market

Fiscal/Tax Impacts

Visitor spending generates taxes directly to the City of Huntington Beach.

- The City realizes all of the 10% "transient occupancy" (lodging) tax [1] and one percentage point of 7.75% [2] levied on taxable retail items, meals and beverages, and on a portion of groceries and local transportation, all of which accrue to the City's general fund.

- In 2011 the City received an estimated $8.2 million in taxes from $232.1 million of *taxable* visitor spending for lodging and retail items.
  - Of these taxes attributable to direct visitor spending, nearly $6.6 million was lodging tax and $1.7 million was retail sales tax.

[1] this excludes the 2% levied on hotel guests allocated for the Tourism Marketing District

[2] the retail sales tax was 8.75% in quarters one and two, then reduced to 7.75% in quarters 3 and 4.

Tourism Supports Local Employment

- Net visitor spending supports an estimated 2,721 Huntington Beach jobs. The city has a reported 75,675 jobs; thus tourism supports 3.6% of the citywide workforce. [1]
- The top employment categories are:
  - 1,284 or 47% of jobs in eating and drinking outlets (combined meals and beverages)
  - 852 or 31% of jobs in paid lodging accommodations
  - 263 or nearly 10% of jobs in retail outlets related to visitor shopping expenditures

Table 4 – Jobs Supported in Huntington Beach from Tourism Activity

Employment Category	Estimated Huntington Beach Tourism-Supported Jobs 2011	Ratio
Lodging	852	31.3%
Food service	992	36.5%
Beverage places	292	10.7%
Shopping/gifts	263	9.7%
Mus./Theater/Admissions	23	0.9%
Local Transport/Parking	226	8.3%
Amenities/Health Spa	22	0.8%
Activities	30	1.1%
Groc./Incidentals	21	0.8%
Total	**2,721**	**100.0%**

[1] Southern California Association of Governments – Huntington Beach City Profile, 2011

Summary Visitor Profile

Huntington Beach visitors in 2011…

- Mainly U.S. residents, the majority of who resided in California and primarily from Southern California.
- Balanced visitation between first timers (47%) and those who had visited in the past three years (53%).
- Huntington Beach was the main trip destination for six in ten visitors.
- Two-thirds arrived in Orange County by personal vehicle while nearly one-quarter arrived by air, thus reflecting HB's stronger regional visitor base.
- Three-quarters were in Huntington Beach for vacation/leisure purpose.
- The most-named activity by seven of ten was going to the beach while in HB.
- Most, 80% were Day visitors and 20% stayed overnight in Huntington Beach, of which 63% lodged in a local hotel.
- Each visitor spent an overall average of $61.68 per day in Huntington Beach.
- Most (71%) visitor groups included spouses/partners and/or other family members; these family groups averaged 3.6 people in size.
- Six of ten visitors are married/partnered, they average nearly 37 years of age and had an overall average household income of $79,000 for 2011.

Profile of a Typical Huntington Beach Visitor

Table 5a – Summary Visitor Profile Characteristics	
Characteristic	**2011**
% California resident visitor	55%
% Other U.S. resident visitor (excl. California)	36%
% International resident visitor	9%
% First-Time Visitor/% Repeat Visitor	47%/53%
# prior visits (past three years - repeat visitors)	8.7
Huntington Beach named main trip destination	61%
% drove own vehicle/% airline into Southern California	68%/23%
% Visiting Huntington Beach for pleasure/leisure/vacation	77%
Top activities in Huntington Beach: going to the beach	70%
Top HB venue visited: beaches	73%
% of visitors staying Overnight/% Day visitors in Huntington Beach	20%/80%
% of Overnight Visitors staying in a Huntington Beach hotel	63%
Average stay in Huntington Beach - all visitors/all overnight visitors (nights)	.7/3.5
Average stay in Huntington Beach - all hotel guests (nights)	3.2
Average daily spending per person in Huntington Beach - all	$61.68
Average daily spending per person in Huntington Beach – Hotel guests	$136
Average daily spending per person in Huntington Beach – Other lodging	$48
Average daily spending per person in Huntington Beach - Day visitors	$28
% traveling with family	71%
Average family group size (persons)	3.6
% married or partnered/% single	63%/35%
Average age (respondent)	36.8
Average annual household income (2011 estimate)	$79,000

High Satisfaction

- Visitors were highly satisfied with their stay.
- 86% are very or extremely likely to recommend Huntington Beach to other.
- 93% are very or extremely likely to return to HB in the future.

Table 5b – Recommend and Return

	Total	Total
	To Recommend HB to Others	**To Return to HB in the Future**
Base:	**795**	**795**
Extremely likely	48.5%	45.1%
Very likely	37.9%	47.7%
Somewhat likely	12.4%	6.6%
Somewhat unlikely	1.3%	0.4%
Very unlikely	0.0%	0.2%
Mean: (5=Extr. likely., 1=Very unlikely):	**4.34**	**4.37**

Top Feeder Markets – California and western Canada

- California is by far the top domestic feeder market, with 60% of U.S. visitation. Arizona is a distant second with nearly 11% and Utah next with 5% of U.S. market share.

- Western Canada is the top international feeder market at 31%, followed by the U.K. with 18% and Eastern Canada with 16% (thus Canada combined accounts for 47% of international visitation).

Table 6 - Top US and International Feeder Markets

US Resident		Int'l Resident	
Market	**Share of U.S.**	**Market**	**Share of Int'l.**
California	60.3%	Canada - Western	31.3%
Arizona	10.5%	United Kingdom	17.7%
Utah	4.5%	Canada - Eastern	16.1%
New Mexico	2.9%	Europe - Western (excl. UK)	11.5%
Nevada	2.5%	Europe - Central & Eastern	9.9%
Texas	2.2%	Mexico	4.9%
Colorado	2.2%	Australia/New Zealand	4.1%
New Jersey	1.4%	South America	2.1%
Washington	1.2%	Middle East	0.8%
Illinois	1.1%	All Other	1.6%
Top Markets	**88.8%**	**Top Markets**	**100.0%**

EXECUTIVE SUMMARY – Key Findings

- **Tourism is important to Huntington Beach and its economy**; The city attracts nearly 3 million annual visitors (from outside Orange County), accounts for nearly $300 million in direct spending, $8 million in lodging and retail sales taxes, and supports 2,700 local jobs.

- ***Surf City USA* defines the city**, it is distinct and authentic, creates awareness among and attracts a broad range of visitors from around the world, and positions Huntington Beach as *THE* beach/surf destination in the region.

- **Reach:** Visitors originate from worldwide markets, although the vast majority (91%) are from **Southern California**, which generates volume and repeat visitation.

- **Segments:** Most Huntington Beach visitation is **leisure** based, with secondary demand from meeting groups, consistent with national and coastal visitation patterns.

- **Satisfaction, Recommend and Return**: Visitors are **highly satisfied** with their stay, **highly likely to recommend** it to others, and say they have **high intentions to return**.

- **Affordable:** Relative to some nearby coastal destinations, Huntington Beach offers visitors a **good travel value**.

EXECUTIVE SUMMARY - Implications and Challenges

- ***Surf City USA* defines the city:** surfing tends to be oriented to youth who have less disposable income and for spending on retail, eating out, arts and amenities than older or more affluent travelers. The challenge is to continue to leverage surfing as associated with outdoor fun and the "cool" factor to broaden the visitor mix.

- **Beach Orientation:** tends to concentrate visitation in the peak summer season, not unlike many other coastal areas. This results in an opportunity to enhance marketing during other seasons, with good or even better beach weather, especially early – mid fall and springtime.

- **Reach:** the high ratio of Southern California visitors provides volume and high level of repeat visitation but tends to limit length of stay, overnight stay in local hotels and daily per-capita spending (lowering potential tourism taxes and supported employment).

- **Segments:** several HB hotels have ample and viable group meeting and event facilities. With the low level of non-leisure demand these facilities may be underutilized especially off-season when many corporate and association groups prefer to meet.

- **Affordability:** while attractive to certain market segments, lower destination travel costs dampen daily per capita spending due to both (lower priced) destination offerings and the high volume of day visitors who spend less per trip than overnight hotel guests.
  - At the same time hotels located beach-adjacent, tend to charge higher rates than the competitive set and relative to the overall destination, resulting in both possible "sticker shock", and a disconnect between destination perceptions (affordable/good value) and the cost of lodging.

EXECUTIVE SUMMARY
Developing and Marketing Huntington Beach - I

Context: This study took place when the economy and travel and tourism were rebuilding from the recent recession. World and national tourism activity grew in 2011 from each of the past three years, with some indicators exceeding their 2007 records. The near-term future is expected show continuing growth but at somewhat lower rates. Presented below are ways to extend key aspects of the destination for smart growth.

- **Extend Reach-Market Development:** Two bright spots for the U.S. travel industry have been in-bound international visitation and regional travel. Both trends are expected to continue and can be capitalized on by Huntington Beach.
  - **Regional Markets:** reach out to large metro markets in the western region with high propensity to visit an authentic and affordable beach area, far enough away to stay overnight in hotels and air accessible through John Wayne Airport. This will help convert and grow overnight visitation, thereby extending length of stay and daily spending.
    - Key markets would include Phoenix, Las Vegas, San Francisco, Sacramento, Albuquerque
    - Key channels would include social media, radio and TV contests, and package offers.
  - **International Tourism:** International visitors (notably from Canada) comprised 9% of Huntington Beach visitor volume. While international marketing is expensive due, the destination can leverage its resources through partnerships with others in the region and the California Travel & Tourism Commission who engage in such programs. The reward is that more of these visitors stay overnight and spend more money in the area. Western Canada would be a good place to start this effort.

EXECUTIVE SUMMARY
Marketing Huntington Beach - 2

- **Extend Seasons - Meetings and Special Events:**
  - **Meetings:** group meetings and incentives are growing but also highly competitive sectors. HB is appealing and has viable facilities to attract these often off-peak events. It makes sense to learn more about what motivates meeting planners to select the destination (relative to competition) and how to best reach them, and then implement a strategic (and tactical) meetings marketing program.
  - **Special Events:** Various special events expose Huntington Beach to thousands of potential visitors.
    - The US Open of Surfing, held in summer, presents a valuable marketing opportunity to attract visitors back in non-peak periods. The Bureau may consider working with other stakeholders to develop incentives to encourage off-peak return visits that can be marketed while visitors are there and later.
    - Development of additional special events in non-peak periods that would attract non-locals.
  - It may be worthwhile to conduct follow-up focus groups or in-depth interviews among visitors to identify the extent to which and what can work to get visitors to travel to Huntington Beach for off-seasons (as well as other related questions).

EXECUTIVE SUMMARY
Marketing Huntington Beach - 3

- **Extend the Brand**: Surf City USA brand creates awareness and attracts leisure visitors to Huntington Beach. At the same time, the destination has the need and opportunity to **extend the brand** beyond surfers and beachgoers to compatible but higher-yielding segments, especially young families who have diverse interests, including attractions, nearby to HB.

- **Extend Offerings - Product Development:** low per-capita spending is partly due to the level of offerings. The HBMVB should work closely with developers and the City on ways to develop higher-level visitor serving amenities (complementing hotels and the destination). This seems to have been intended at The Strand but this project has yet to fulfill expectations; it may be a good project to begin.

Thank You!

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