The Local Economic Impact of Participating Portland Short Term Rentals

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Overview

The Short Term Rental Advocacy Center (STRAC) was formed in 2013 by a coalition of several short term rental marketplace stakeholders as a means to engage travelers, property owners, and local residents in a conversation about the regulation of this growing market segment. STRAC member companies have more than 1.1 million listings worldwide. As short term rentals continue to grow in popularity and use, it is vital that all stakeholders have a clear understanding of the benefits presented by this expanding market segment. To this end, STRAC contracted TXP, Inc. to assess the economic impacts of short term rentals attributable to their customers (termed "participating short term rentals" in this report) in Portland, OR.

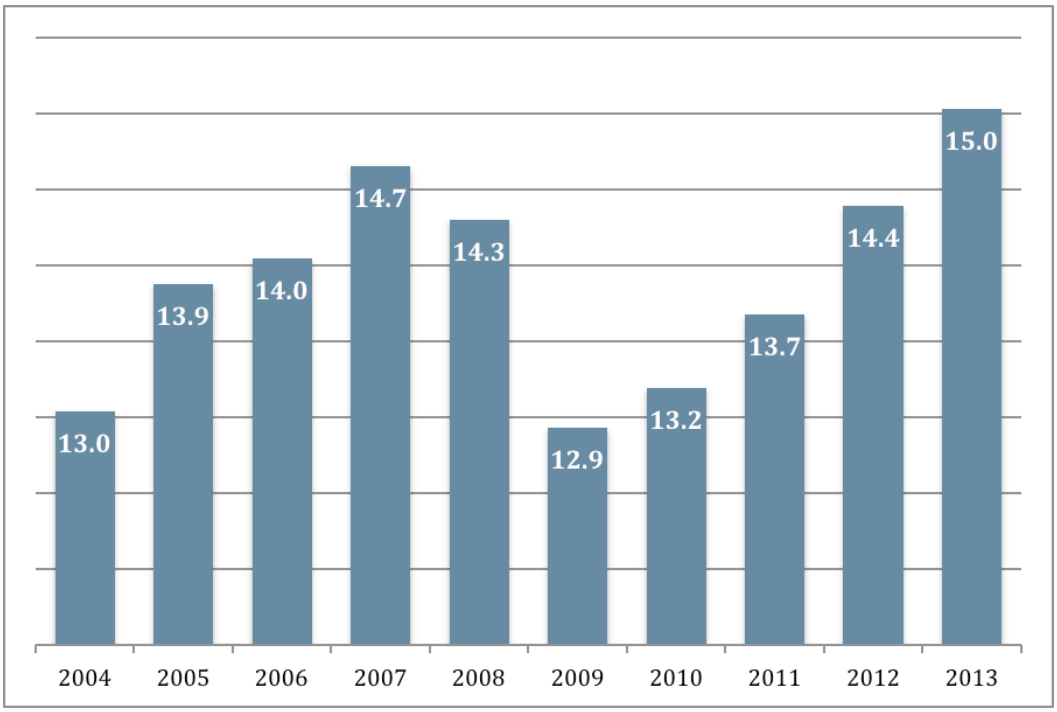
This report details the economic impact of participating short term rentals in Portland, OR. The impact is significant, as participating short term rental activity in 2013 created total economic output of $46.5 million and 375 jobs in the local Portland economy. The report provides an overview of trends in the overall tourism sector in the Portland area, followed by the results of the analysis and conclusions. The input data on direct accommodations spending was provided by STRAC member companies and reflects estimates for 2013. While the vast majority of the properties are located in the city of Portland, Multnomah County was used as the study area for analytical consistency, and all impacts are estimated at the county level.

Tourism and the Economy of Portland

Overall Context

Tourism is a key component of Portland's economy. In 2013, the Portland International Airport saw an all time high of more than 15 million passengers. Visitor spending is an important generator of local employment and economic activity as well as state and local tax revenue. According to Travel Oregon, employment directly related to tourism accounts for tens of thousands of jobs in the greater Portland area. The Accommodation and Food Services sector in particular has seen rapid growth in employment over the past few years far surpassing employment growth in the overall local economy.

Figure 1: Annual Passengers at the Portland International Airport (millions of passengers)



Source: Port of Portland

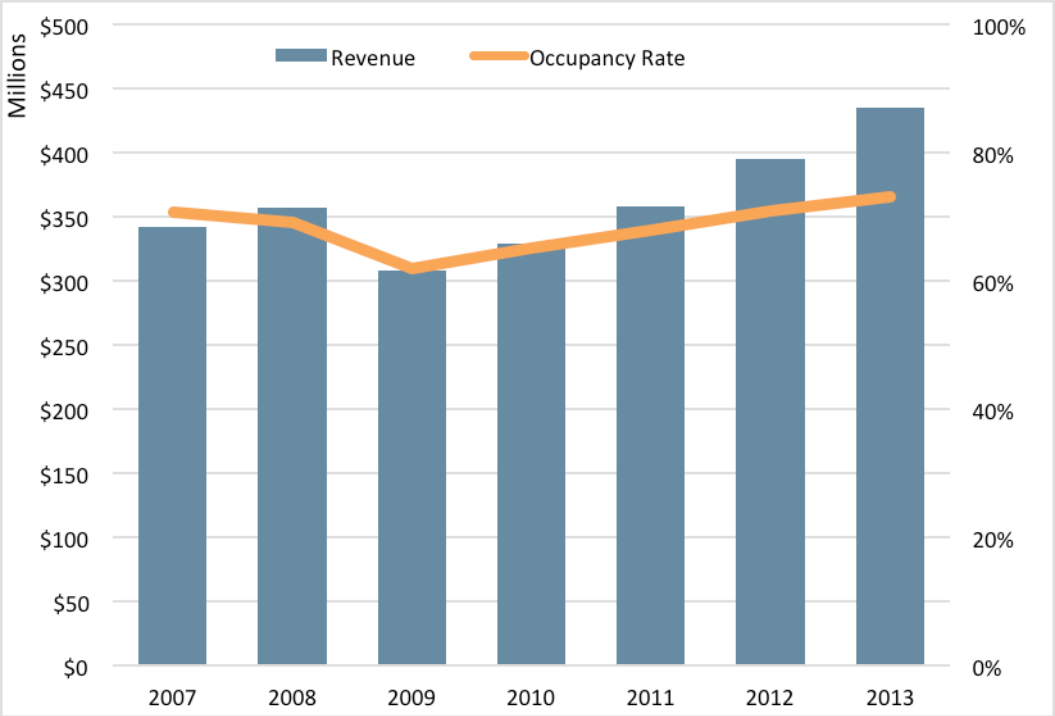
Table 1: Employment by Selected Sectors in Multnomah County, OR

	Accommodation and Food Services Sector	Arts, Entertainment, and Recreation Sector	Total Employment
2007	29,145	8,297	349,555
2008	30,159	8,403	360,786
2009	30,473	9,096	371,095
2010	30,786	8,694	370,519
2011	32,294	8,399	368,836
2012	33,813	8,185	373,327
Change	16.0%	-1.3%	6.8%

Source: American Community Survey 5-year estimates, US Census Bureau

The global recession clearly had an impact on visitation and tourism in Portland, although the sector has steadily rebounded since the low point in 2009. Smith Travel Research reports that in 2013 both hotel/motel revenue and occupancy rates had reached all time highs of $360.6 million and 73.2 percent respectively.

Figure 2: Trends in the Portland Lodging Sector



Source: Smith Travel Research

Short Term Rentals in Portland

Portland's unique restaurants and bars, tax-free shopping, and hundreds of events draw a wide range of visitors with diverse interests, needs, and budgets. Short term rentals provide an important element of variety in the local accommodations market. In 2013, the STRAC member companies had nearly 130,000 nights booked in the 2,114 properties listed in the Portland area. While they are still a small proportion of the vacation accommodation sector, they are vital to the continued growth of Portland's overall tourism sector.

The weighted average daily rate for short term rentals in Multnomah, OR was $88 in 2013. Smith Travel Research found that hotels in the same area had an average daily rate of $115 in 2013. As many of the short term rentals in the Portland market are single rooms in a larger building, this makes short term rentals a budget-friendly option for travelers. Travel Oregon found that the average length of stay for visitors to the Portland area was 2.1 nights in 2011. Similarly, the average size of a group of travelers was 3.4 people. Participating short term rentals reported that the average party size was slightly smaller, at 2.2 people, with a more than double average length of stay of 4.5 nights. This indicates that the short term rental market serves a distinct segment of the lodging market in Portland.

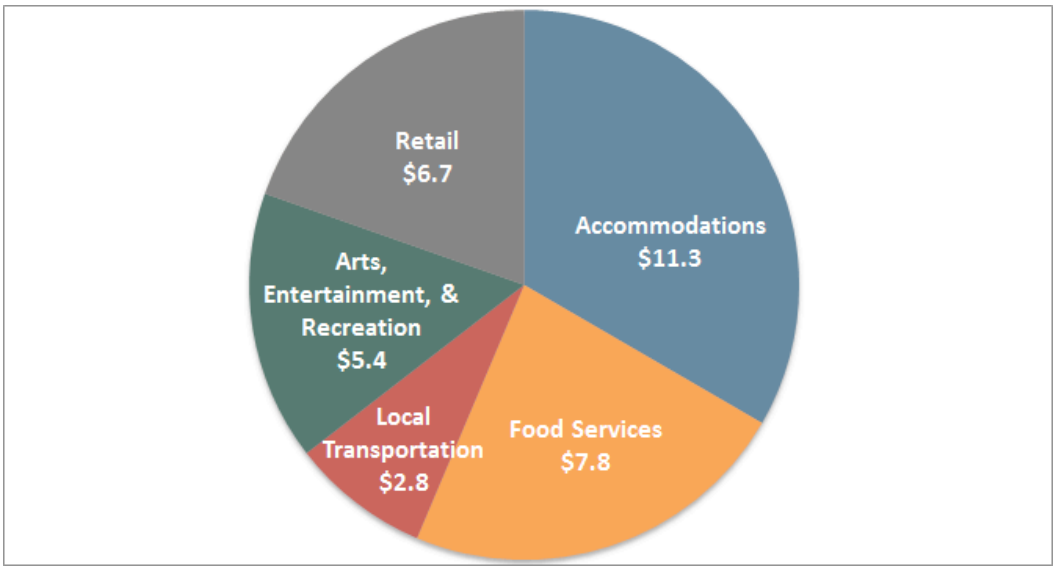
Economic Impact Calculations

The process for calculating the economic impacts associated with participating short term rentals is fairly straightforward. First, direct spending in different applicable tourism categories associated with the short term rentals is estimated. Next, specific multipliers provided by the Bureau of Economic Analysis RIMS II system for each industry for each county are used to estimate the ripple effects that are attributable to the direct spending; the combination forms the total economic impact.

Direct Spending Estimates

TXP used the data provided by STRAC (specifically number of nights booked, party size, length of stay, and daily rate) to create an aggregated estimate of direct lodging spending by participating short term renters of $11.3 million during 2013. This data was then combined with data from the US Bureau of Economic Analysis' Travel and Tourism Satellite Accounts to further estimate the additional direct spending patterns of visitors to the Portland area. The breakdown by category is summarized in Figure 3.

Figure 3: Visitor Spending ($millions)



Source: Travel and Tourism Satellite Accounts; US Bureau of Economic Analysis

For example, for every $100 a traveler spent on lodging, they spent an additional $69 on food, $24 on local transportation, $48 on arts, entertainment, and recreation activities, and $59 on retail shopping. As a result, the total direct spending by short term renters in Portland for 2013 is estimated at $33.9 million.

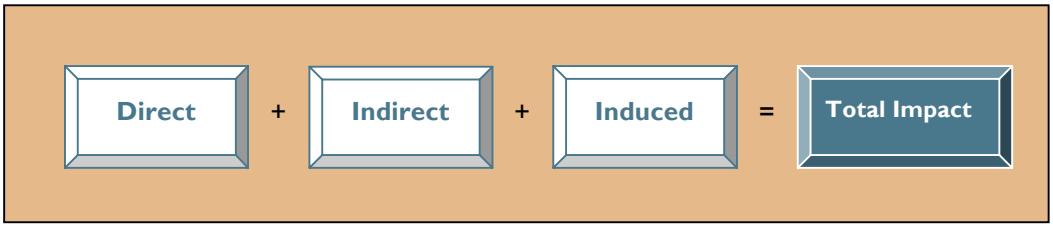
Economic Impact Methodology

The economic impacts extend beyond the direct activity outlined above. In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor's stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent in the local economy.

Figure 4: The Flow of Economic Impacts



Once the ripple effects have been calculated, the results can be expressed in a number of ways. Four of the most common are "Output," equivalent to sales; "Added-value," which is sales minus the cost of goods sold; "Earnings," which represents the compensation to employees and proprietors; and "Employment," which refers to permanent, full-time jobs that have been created in the local economy.

The interdependence between different sectors of the economy is reflected in the concept of a "multiplier." An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that

injection – i.e., the direct effect. Larger multipliers mean greater interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every $1,000 injected into the economy, another $400 in output is produced in all sectors.

Economic Impact Results

Participating short term rental activity in 2013 created total economic output of $46.5 million, value-added of $27.0 million, earnings of $8.6 million, and 375 jobs in the local Portland economy. The majority of this activity is concentrated in the sectors with the highest direct tourism spending, such as food services; arts, entertainment, and recreation; and retail trade.

Table 2: Detailed Economic Impact of Participating Short Term Rental Activity in Multnomah County, OR

Industry	Output	Value-Added	Earnings	Jobs
Ag., forestry, fishing, & hunting	$46,069	$15,163	$6,441	-
Mining	$1,596	$539	-	-
Utilities	$1,001,777	$598,710	$75,057	1
Construction	$283,735	$141,701	$47,195	1
Manufacturing	$2,361,739	$815,164	$248,521	6
Wholesale trade	$1,535,943	$1,037,333	$243,469	4
Retail trade	$5,196,415	$3,403,548	$1,046,558	43
Transportation & warehousing	$4,159,280	$1,612,675	$838,529	28
Information	$1,281,261	$703,252	$186,116	3
Finance & insurance	$2,909,329	$1,728,456	$398,262	9
Real estate and rental & leasing	$5,057,503	$3,746,751	$254,030	22
Prof., scientific, & tech. services	$1,789,122	$1,196,649	$456,373	10
Management of companies	$1,062,806	$659,298	$124,311	2
Admin. & waste services	$1,004,471	$661,357	$255,826	11
Educational services	$293,003	$167,245	$76,588	3
Health care & social assistance	$2,468,735	$1,510,341	$676,026	16
Arts, entertainment, & recreation	$5,681,750	$3,582,441	$1,335,165	89
Accommodation	$283,193	$182,665	$62,515	3
Food services & drinking places	$8,737,997	$4,546,222	$2,063,495	118
Other services*	$1,337,180	$680,997	$228,291	6
Total	**$46,492,904**	**$26,975,341**	**$8,616,32**	**375**

Source: TXP

Note: since lodging activity takes place in private homes, the spending for this segment of the impact analysis is run through the Household sector of the economy, rather than Accommodations.

Tax revenue further amplifies the impact of tourism and tourist spending in the Portland area's economy. Both local jurisdictions and the State of Oregon benefit from direct spending by visitors, as well as realizing revenue associated with the ripple effects of that spending. In general, tourism is an attractive revenue source for local governments, especially since these taxes are not imposed on local residents.

Conclusions

Participating short term rental-related spending is an important part of the tourism sector in Portland, ultimately creating hundreds of jobs and millions of dollars of earnings and tax revenue for the community each year. This appears to be largely net new activity; different types of lodging serve discrete segments of the market, and the overall economy appears to be the largest determining factor in tourism performance (see Figure 2). As with most sectors of the economy, the battle for tourism dollars is intense, meaning that diversity within the accommodations market is essential to meeting customer demand and remaining competitive with other cities and regions throughout the nation and world. Seen in this light, short term rentals are a highly valuable asset in Portland's tourism portfolio whose impact is likely to grow over time.

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