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AN OXFORD ECONOMICS COMPANY

Oregon Lodging Tax Revenue Outlook

FY2025-FY2027

from January 2025 forecast update

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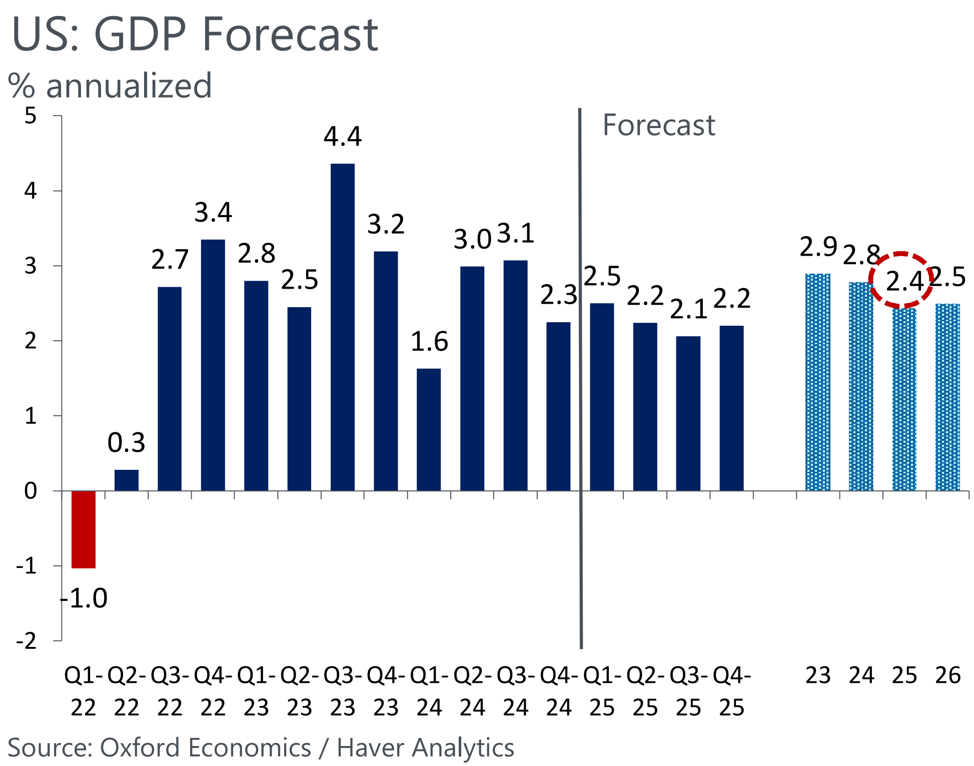
US Economy

The economy is transitioning to sustainable growth



February 2025 Forecast

We expect US GDP growth of 2.4% in 2025 and 2.5% in 2026, representing a solid, sustainable pace of expansion.

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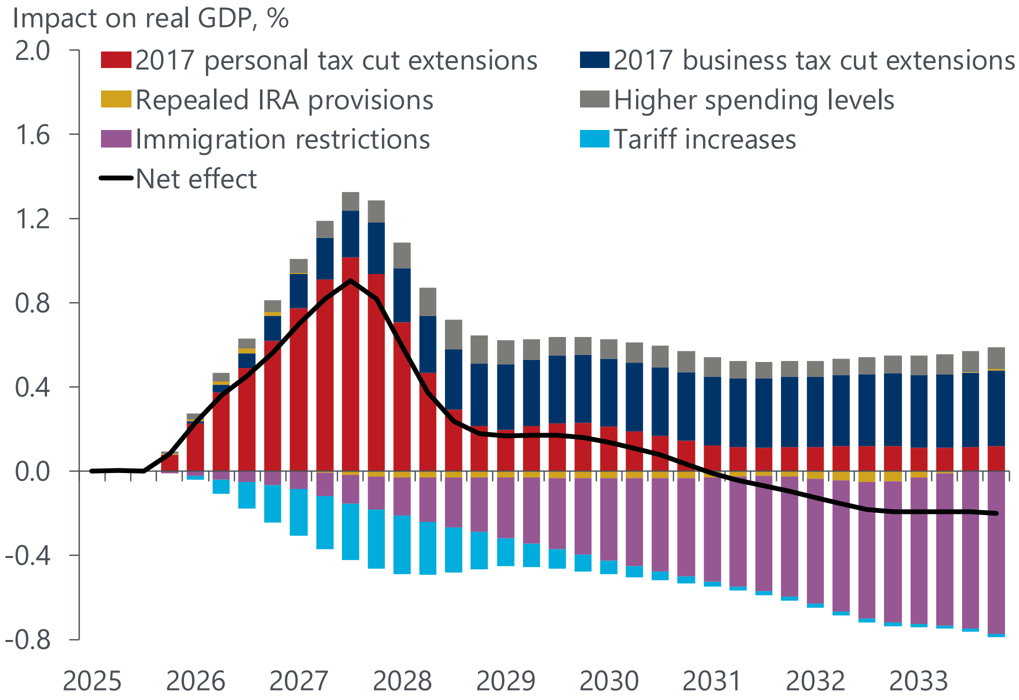
Outlook assumes a limited administration scenario

US: Policy effects under a limited administration scenario



Source: Oxford Economics

- Our policy assumptions are still consistent with a limited administration scenario.
- This assumes minimal impact in 2025.
- In 2026 and 2027, more expansionary fiscal policies (extended tax cuts and increased Federal spending boost growth).
- Over time, the negative effects of targeted tariffs and less immigration result in slower growth in the out-years.
- The flat 25% tariffs on Canada and Mexico (if resumed in March) or any other faster, more severe tariff could result in more negative impacts earlier in the forecast horizon.

New administration policy impacts: Inbound travel

Category	Examples with less impact to travel	Examples with greater impact to travel
Visa/border impediments	• **Slower visa processing**, reduced consulate staff, increased scrutiny on some origins • **Reduced border staffing**	• **Greater visa impediments**, such as extended processing times, caps on the number of visas issued, **country-specific travel bans**

Immigration	• **Rhetoric and publicized examples of immigration enforcement**
	    • *Minimal impact to travel, with some hesitancy by travelers from certain origins (Mexico and Latin America, Middle East)*
		• **More concern that rules could change, mistakes could happen**, greater level of uncertainty
		    • *Some potential travelers across the globe hesitate and/or book alternative destinations*

Trade war response	• **Targeted tariffs on Canada and Mexico,** some travel discouragement • **Chinese government tone** generally discouraging travel to US	• **Resuming flat 25% tariffs on Canada and Mexico in March,** will likely slow US economy and could throw both Canada and Mexico into recession • **Retaliatory responses by China**, such as restrictions on group travel to US, restrictions or impediments on leisure travel

Source: Tourism Economics

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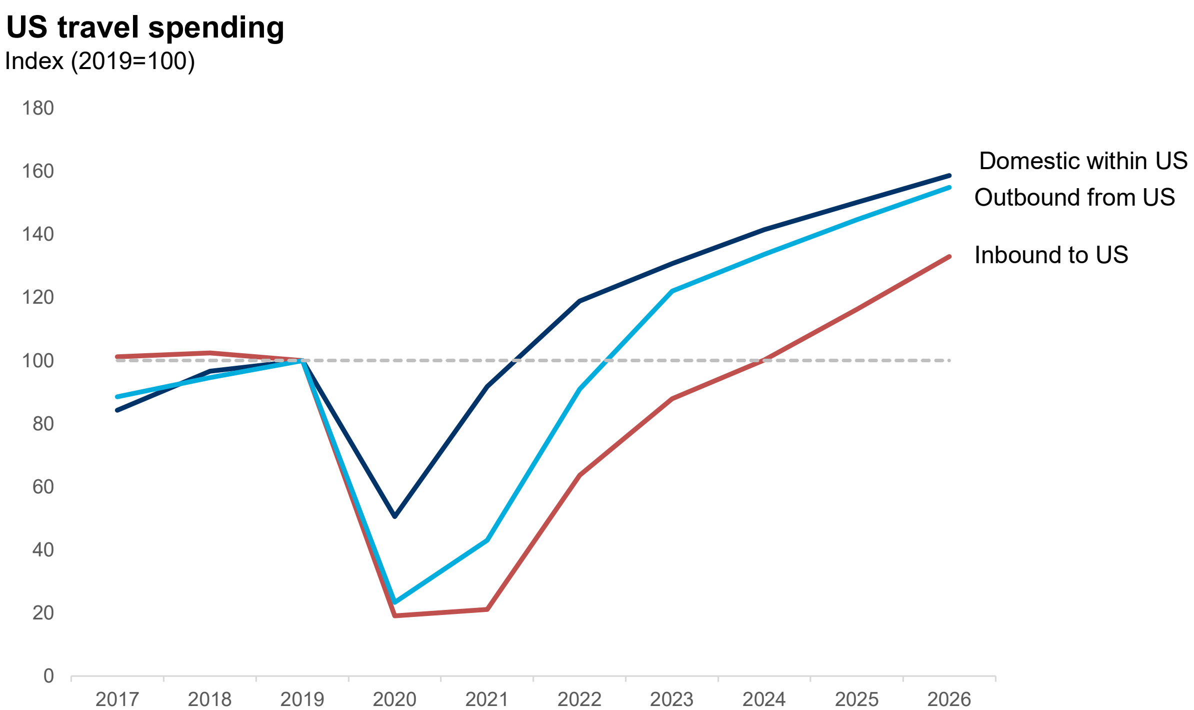
Baseline assumes continued recovery in inbound travel



Source: Tourism Economics

- Baseline assumes minimal policy impact to economy in the short-term.
- More aggressive immigration and trade policies tilt risk to the downside for inbound travel.

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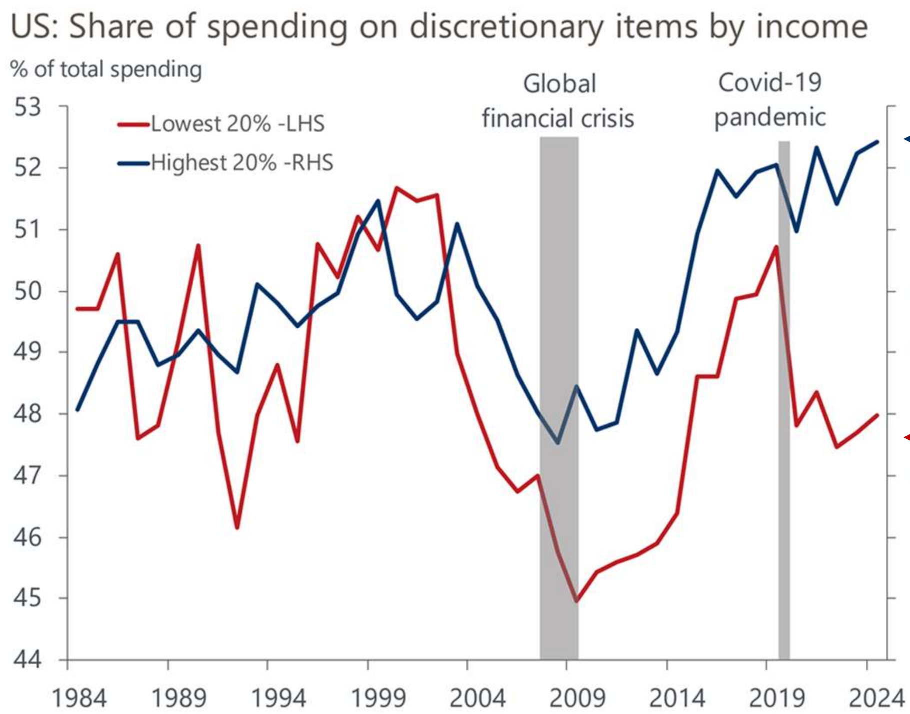
Discretionary spending by high-income households has remained resilient

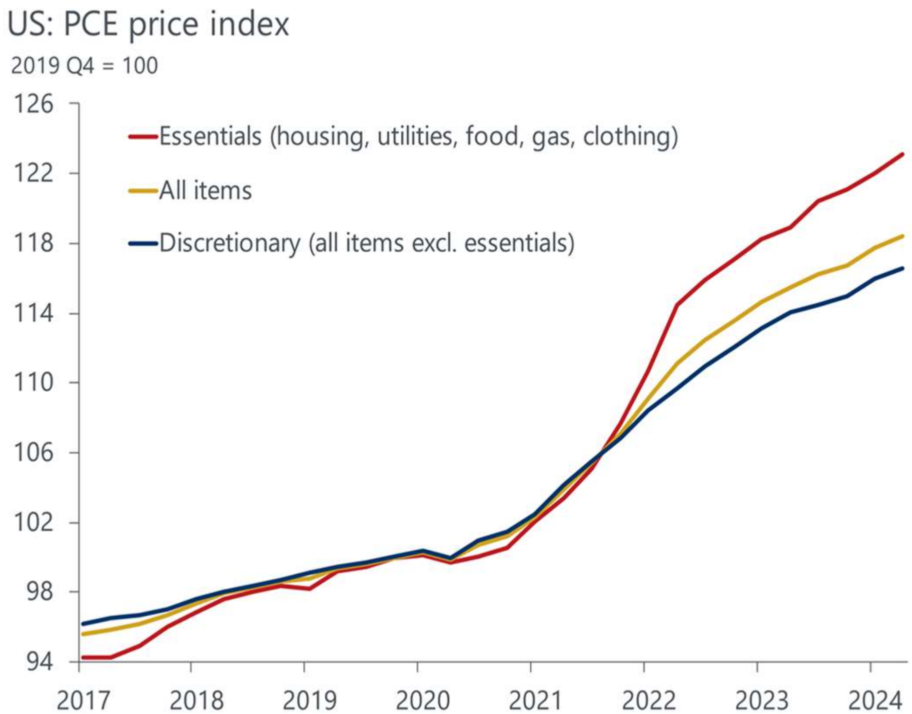


High-income spending on discretionary items has remained more resilient…

… low-income spending hasn't recovered

Source: Oxford Economics/Haver Analytics

Inflation has hit essentials more intensely than discretionary purchases.



Source: Oxford Economics/Haver Analytics

- Essentials account for a greater share of spending among lower-income households, leaving less room for discretionary spending.

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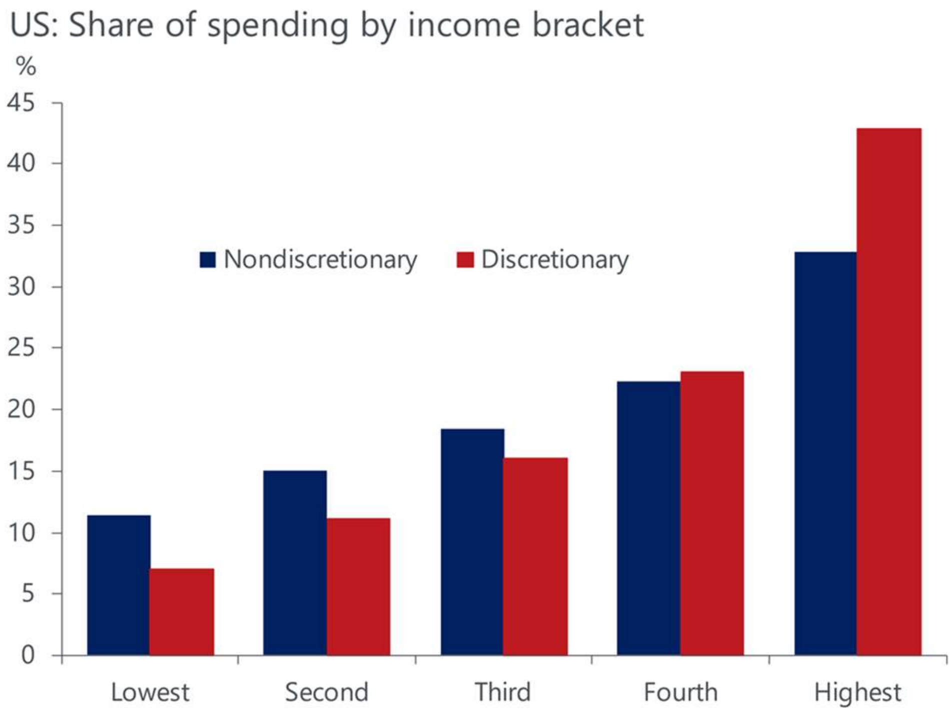
Higher-income households account for greater share of spending



Source: Oxford Economics/Haver Analytics

- Our forecast is for solid growth in consumer spending over the next few years.
- High-income households have several tailwinds for spending, including wealth effects from past increases in equity and home prices.
- However, low and middle-income households don't reap these benefits as much, and these households remain under financial pressure from past increases in prices for food, rent, transportation, and energy.

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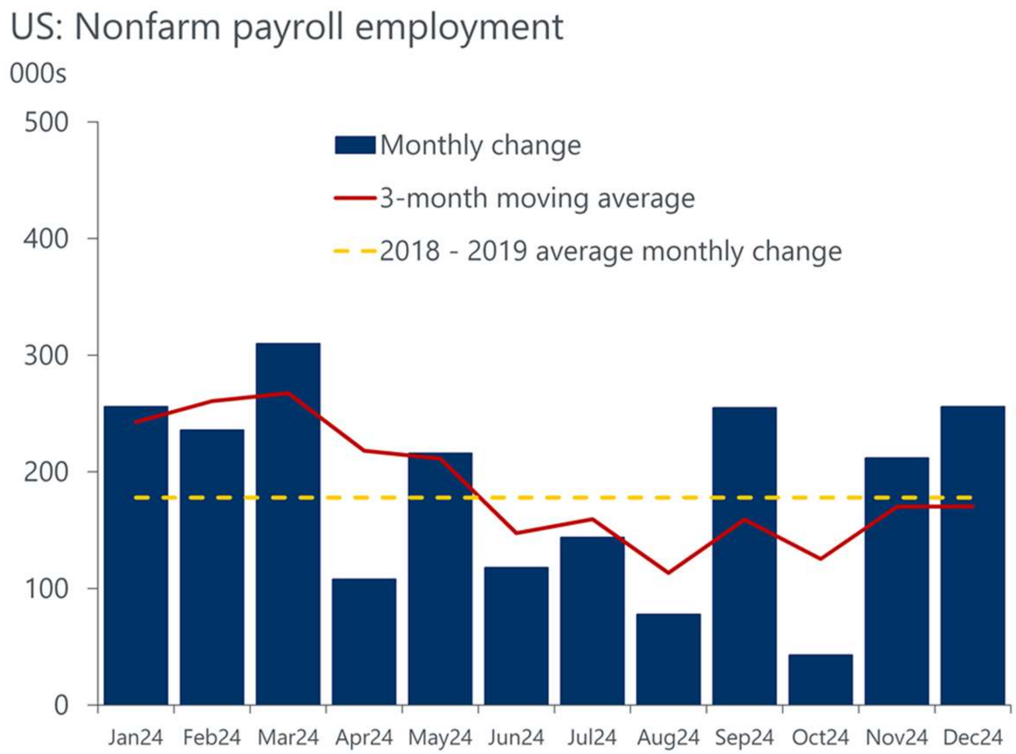
Jobs market continues to be resilient



Source: Oxford Economics/Haver Analytics

- November and December end the year with solid growth; keeping the 3-month moving average near the historical average

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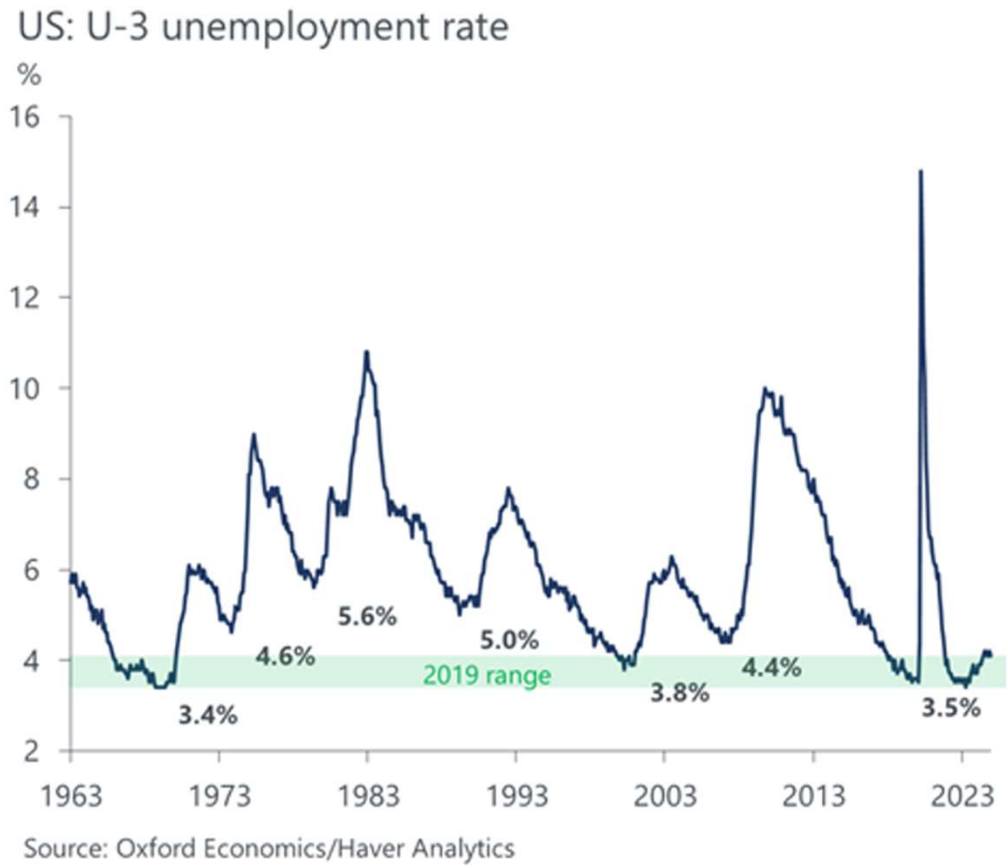
Unemployment remains low at 4.1%



Dec 2024: 4.1%

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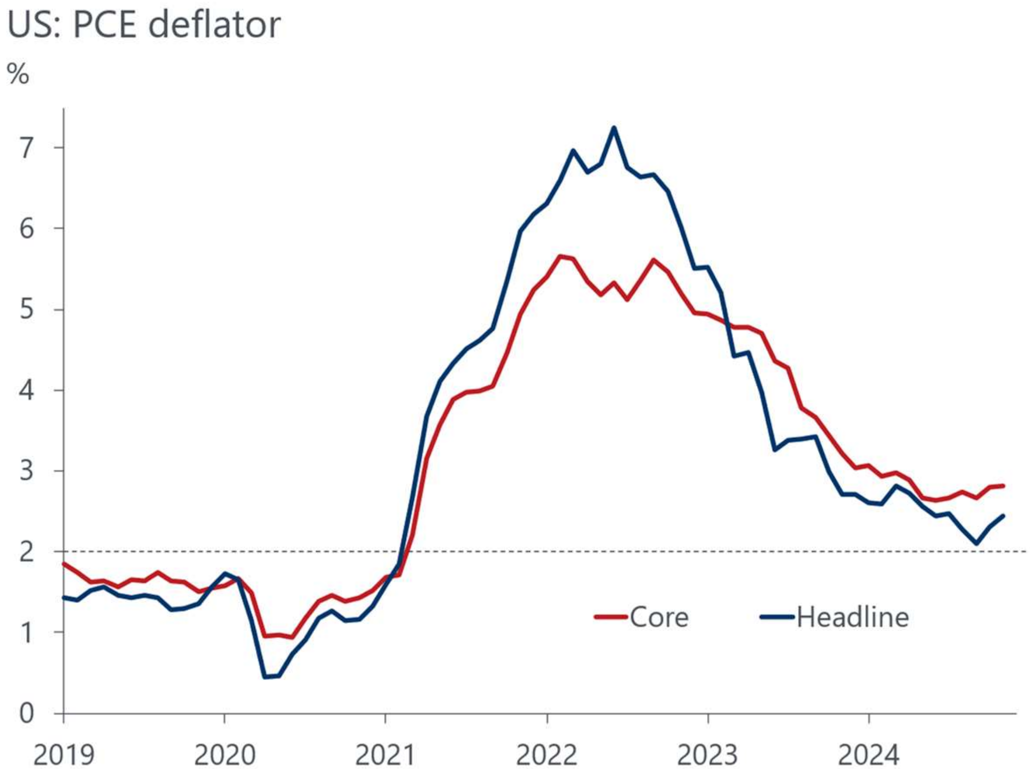
Inflation approaching Fed's 2% goal



Source: Oxford Economics/Haver Analytics

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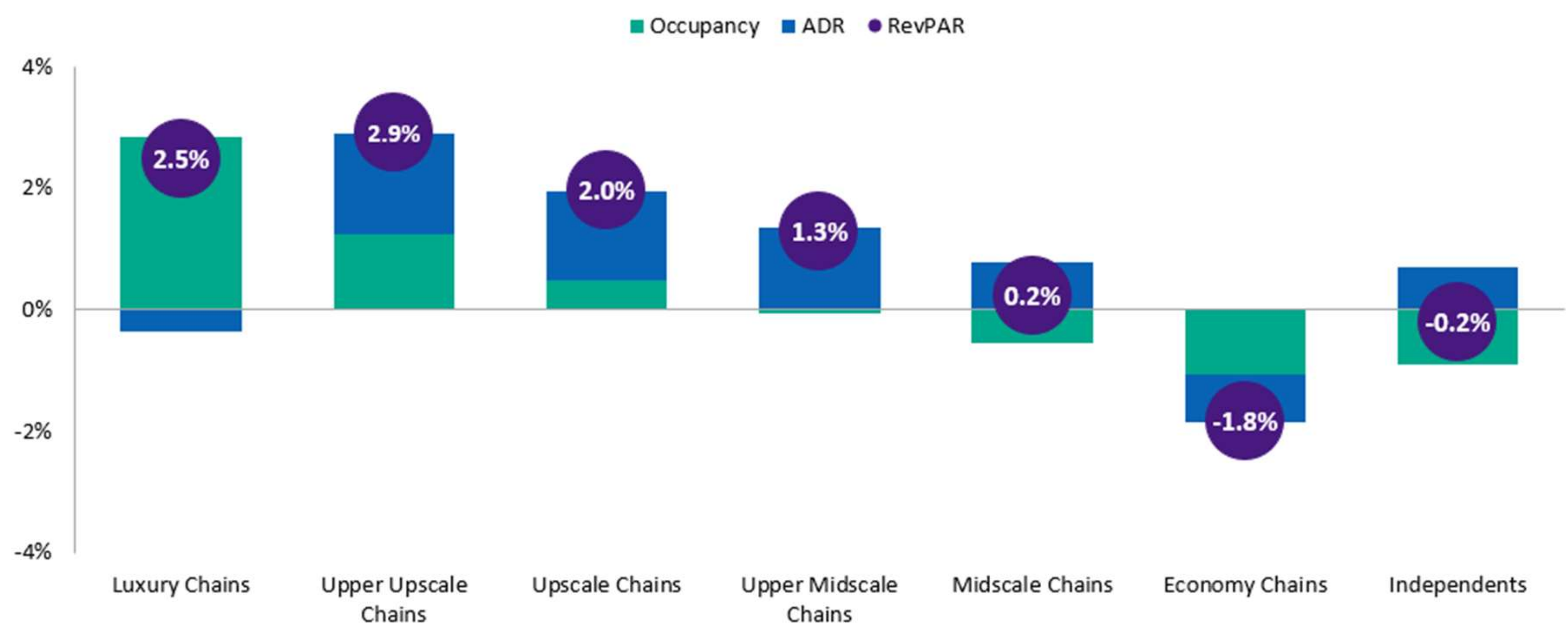
US Travel

2024 performance is bifurcated

U.S., KPI % change, YoY, Full-Year 2024

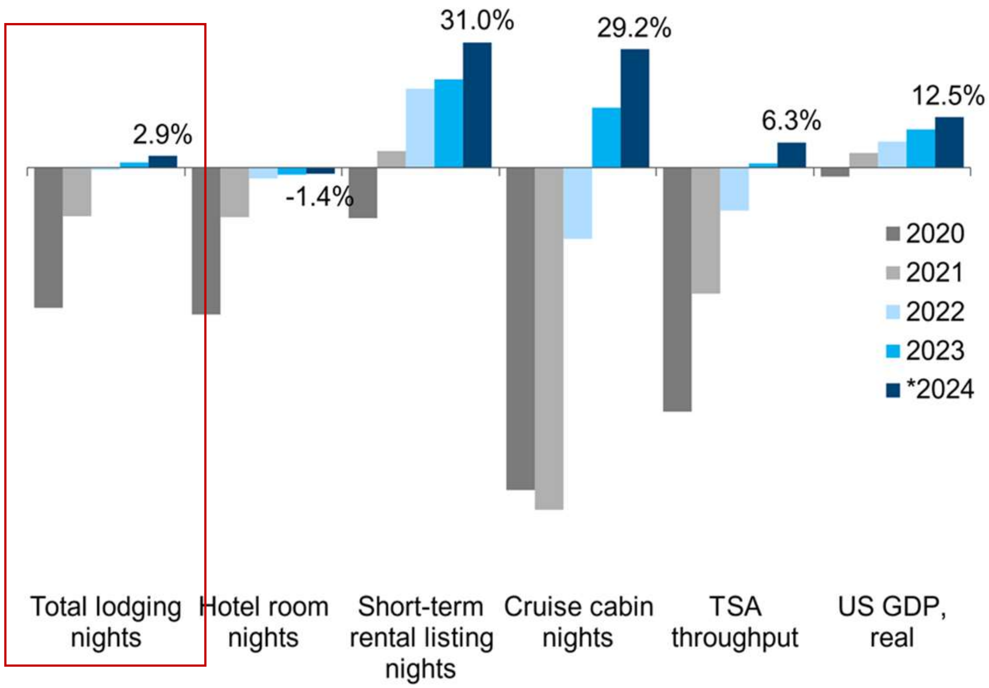


Room revenue growth	**7.2%**	**4.0%**	**3.6%**	**3.2%**	**1.6%**	**-0.2%**	**0.2%**

STR CoStar

Short-term rental and cruising push total lodging up

US lodging recovery, relative to 2019



Source: STR, AirDNA, CLIA/Tourism Economics, Transportation Security Administration passenger screening throughput, Oxford Economics, *Full-year forecast as of Nov 2024

GDP disparity remains affected by:

1. Productivity gains
2. International travel deficit

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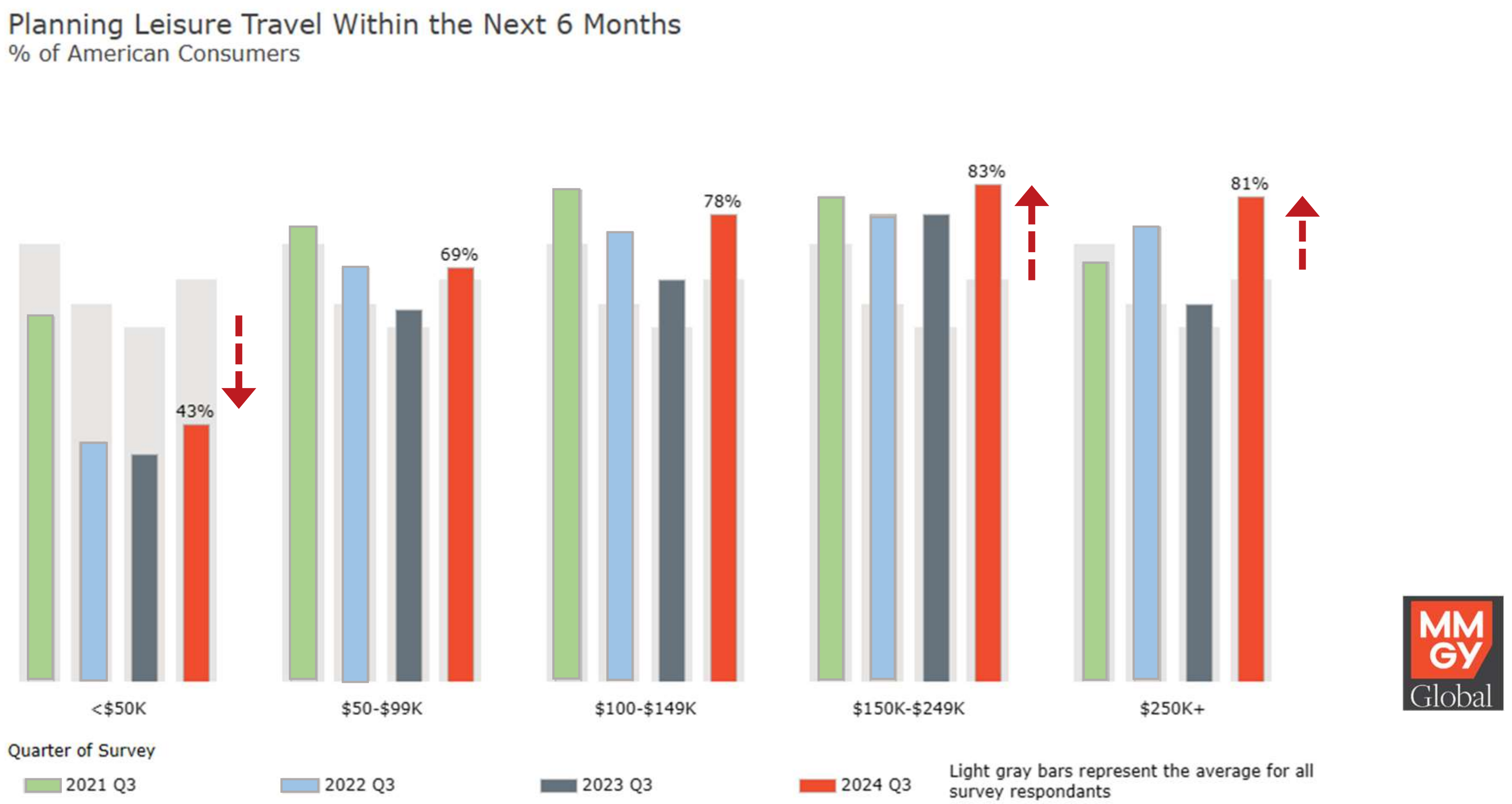
Leisure travel intentions remain strong among higher-income households



Source: MMGY Portrait of American Travelers; Tourism Economics Symphony

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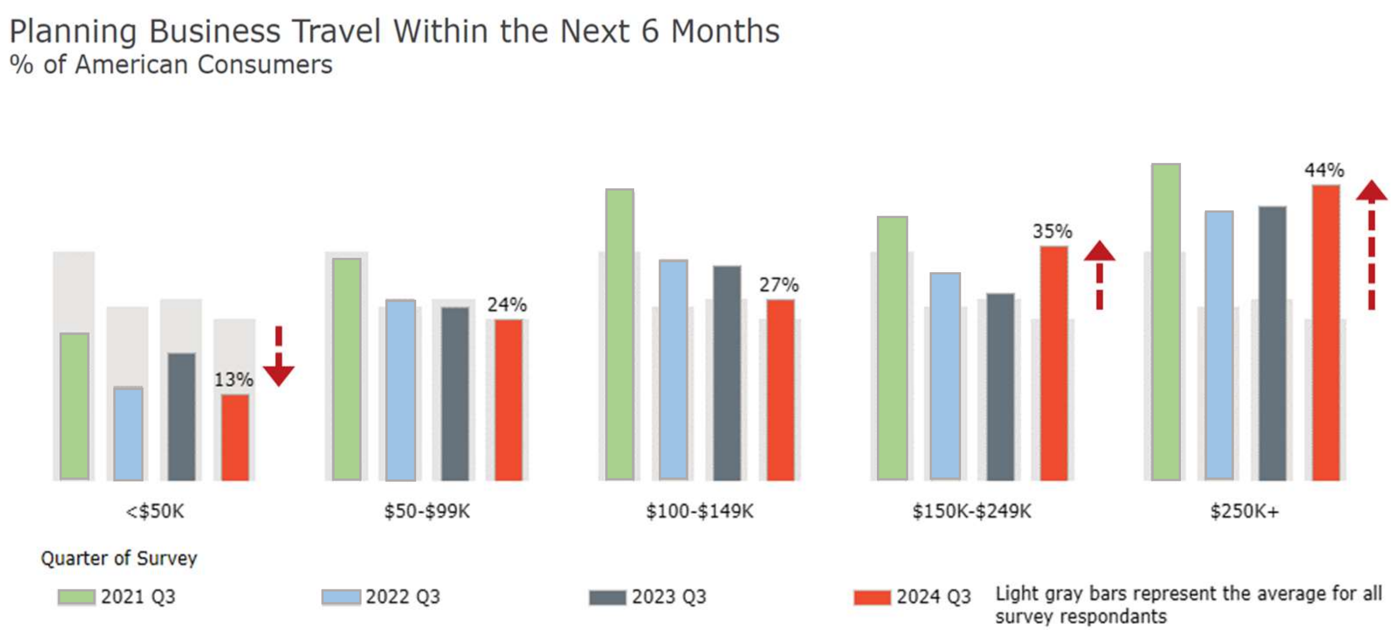
Business travel intentions are gaining



Source: MMGY Portrait of American Travelers; Tourism Economics Symphony

Travel Oregon revenue forecast

Fiscal year TLT forecast

TLT revenue in three scenarios, annual

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Revenue (millions)									
Upside	$40.6	$39.7	$23.5	$35.8	$40.8	$41.4	$43.1	$45.9	$48.0
Baseline	$40.6	$39.7	$23.5	$35.8	$40.8	$41.4	$42.5	$43.9	$45.3
Downside	$40.6	$39.7	$23.5	$35.8	$40.8	$41.4	$41.8	$41.4	$41.7
% growth (yoy)									
Upside	--	-2.1%	-40.9%	52.4%	14.0%	1.4%	4.3%	6.6%	4.4%
Baseline	--	-2.1%	-40.9%	52.4%	14.0%	1.4%	2.7%	3.3%	3.2%
Downside	--	-2.1%	-40.9%	52.4%	14.0%	1.4%	1.1%	-1.0%	0.7%
% change from FY2019									
Upside	--	-2.1%	-42.1%	-11.8%	0.5%	1.9%	6.3%	13.2%	18.3%
Baseline	--	-2.1%	-42.1%	-11.8%	0.5%	1.9%	4.6%	8.1%	11.5%
Downside	--	-2.1%	-42.1%	-11.8%	0.5%	1.9%	3.1%	2.1%	2.8%

Sources: Tourism Economics; STR; Oregon DoR

- Note: ALL references to TLT revenue (actual and forecast) are for the Oregon Travel Commission (OTC)

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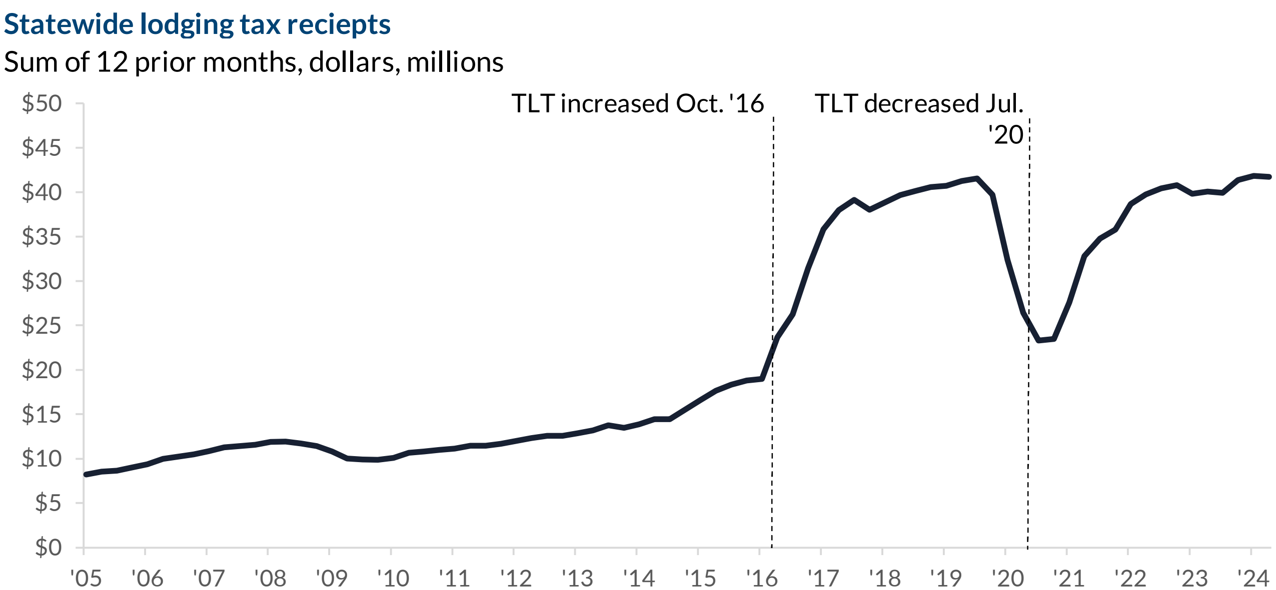
Lodging tax remains consistent in recent years after significant changes have settled



Note: through December 2024

Sources: Travel Oregon, Oregon DoR*

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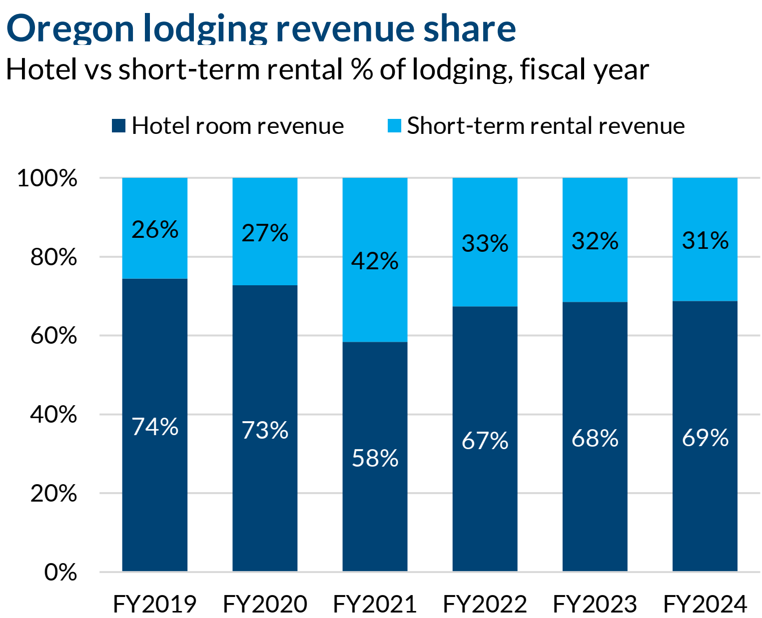
Short-term rental revenue has gained share of lodging revenue



FY Note: Hotel/Short-term rental = Apr-Mar

Sources: Tourism Economics; STR; AirDNA

- In our forecast approach, we define lodging revenue as the sum of hotel room revenue and short-term rental revenue. We find this measure correlates closely with TLT performance.

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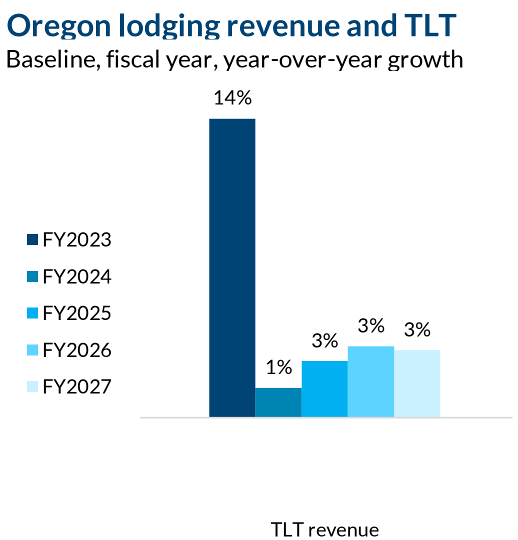
Our approach estimates TLT growth based on lodging revenue growth



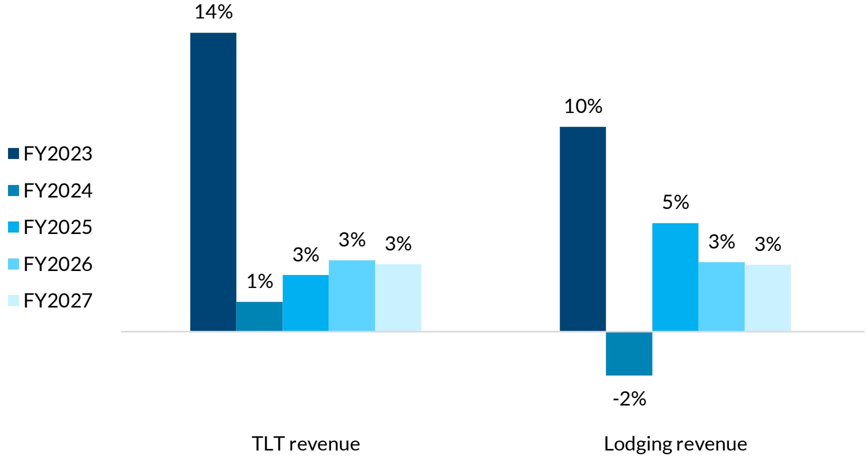
FY Note: TLT = Jul-Jun, Lodging/Hotel/Short-term rental = Apr-Mar

Sources: Tourism Economics; STR; AirDNA; Oregon DoR

Our approach estimates TLT growth based on lodging revenue growth

Oregon lodging revenue and TLT

Baseline, fiscal year, year-over-year growth



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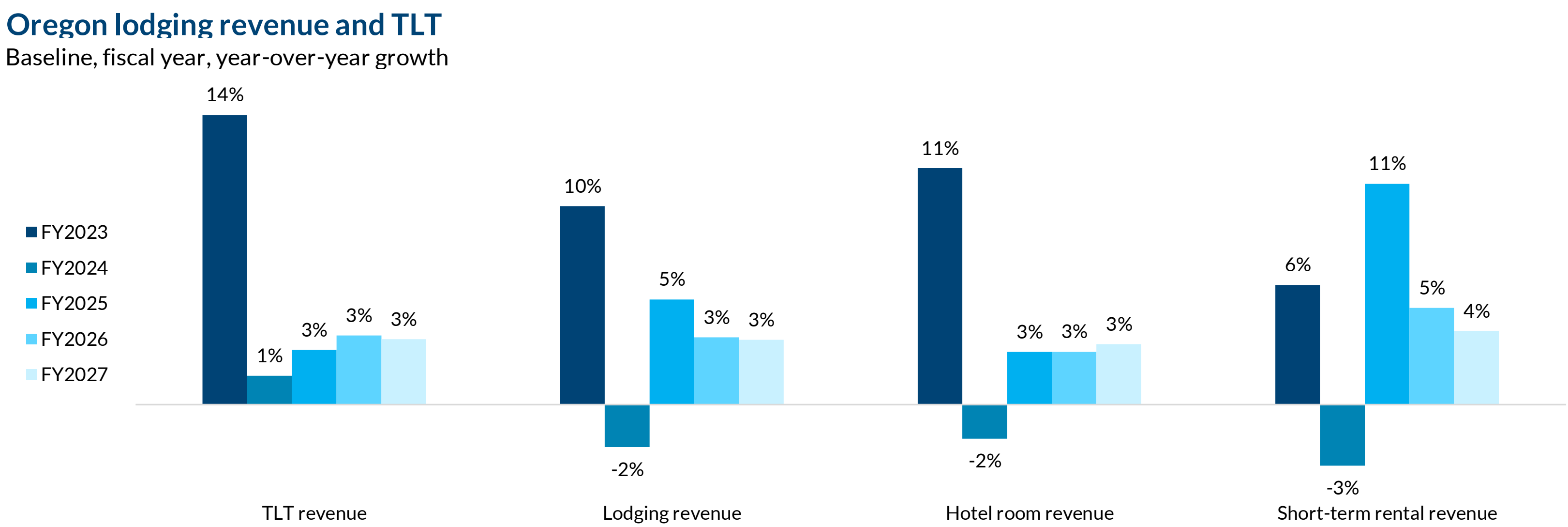

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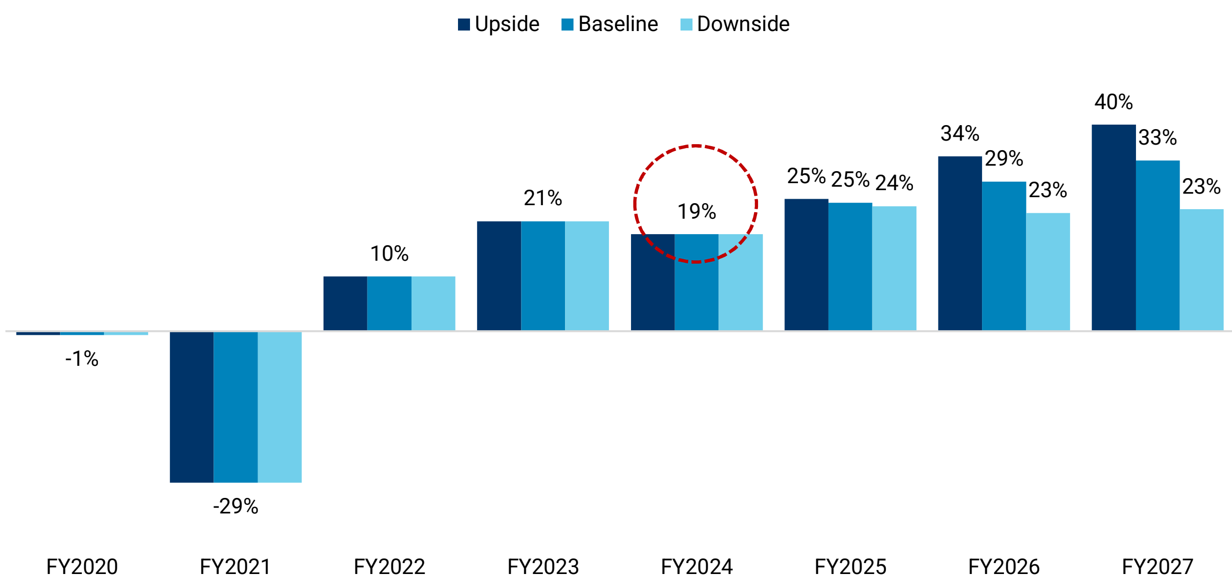
In FY2024, lodging revenue recovered to 19% above pre-pandemic levels

Lodging revenue, three scenarios

Oregon, fiscal year, relative to 2019



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Sources: Tourism Economics, STR, AirDNA

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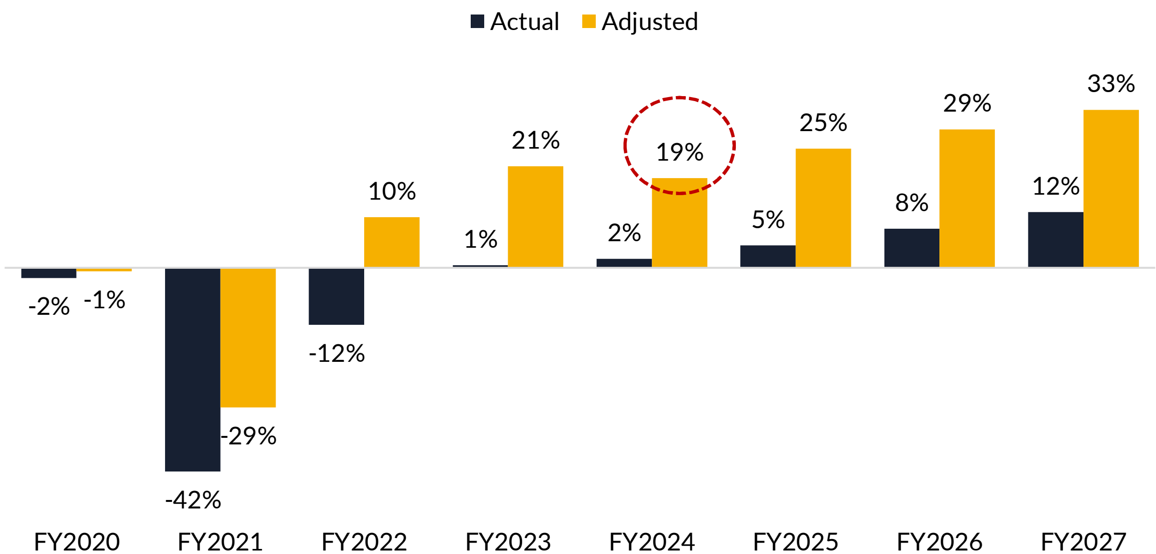
If we adjust the TLT revenue to a standardized rate for the full period, we see a similar 19% recovery in FY2024

Oregon TLT recovery

Actual vs adjusted (standardized rate applied to FY19-FY24)



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Sources: Tourism Economics; STR; Oregon DoR

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About Tourism Economics

- Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis and economic impact studies.
- Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice.

2025-2027
TLT REVENUE FORECAST

Current - Adopted *(Revised June 2024)*	
2023-2024	$40,400,000
2024-2025	$44,140,000
Total TLT Adopted 2023-2025	**$84,540,000**
Proposed	
2025-2026	$43,900,000
2026-2027	$45,300,000
Total TLT Forecast 2025-2027	**$89,200,000**

(+5.5%)