

Are Travelers Adopting New Habits?

Consumer travel spending is now as bad as it's going to get, hovering near the bottom of the cycle, says Smith Travel Research (STR).

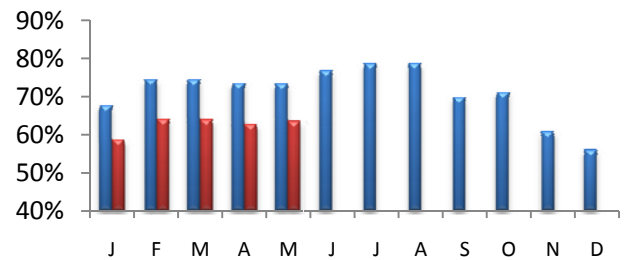
Also troubling to the travel industry is a "new, normal" pattern in consumer spending seen by the Gallup Poll. It says one-third of Americans are spending less this year, and 27 percent have been saving more in recent months. Gallup reports that those surveyed say they intend to solidify these behaviors as their "new, normal" pattern in the years ahead.

The all-important question, says Suzanne Cook of U.S. Travel Outlook, is whether this really is the "new normal" in consumer attitudes and values or whether it is a temporary reaction to today's economic news. If current spending levels do become the "new normal," then both the U.S. economy and its \$773 billion travel industry may still have some major adjustments to endure.

In business travel, STR reports that the weekday business segment remains weaker than weekend leisure, and that luxury hotels continue to be the hardest hit, in part because of a backlash against corporate meetings and incentive travel. That conclusion is mirrored in The Rubicon Perspective, a monthly newsletter that reports on advance reservation and group sales data from the largest hotel chains. On a positive note, however, it says that while demand and rates continue to deteriorate, the pace of that deterioration has slowed markedly.

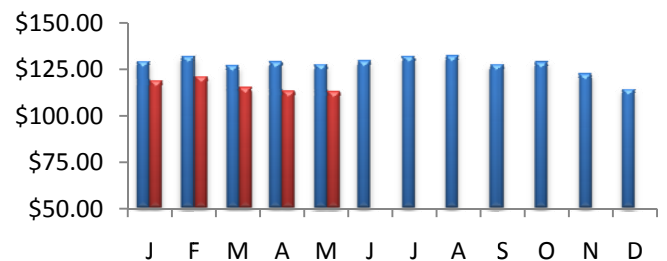
Countywide Hotel Occupancy

May's occupancy measured 63.6%, a decrease of -13.9% from last May's mark of 73.8%. The average occupancy for the top 25 markets was down -11.9%. Overall, US occupancy was also down for the month -11.8%.



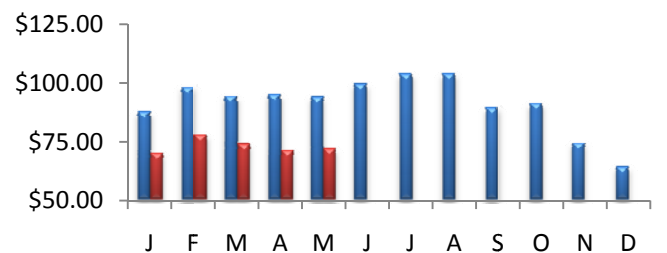
Average Daily Room Rate (ADR)

In May, county ADR went down by -11.7% over 2008 to reach \$113.18. The monthly change in room rates in the top 25 markets was -13.0%. US rates were down -9.8% for the month.



Revenue Per Available Room (RevPAR)

LA County RevPAR for the month of May was down -24.0% and finished the month at \$71.93. The RevPAR growth in the top 25 markets was down -23.4% for the month. The overall U.S. RevPAR was down -20.4% for the month.



Legend:



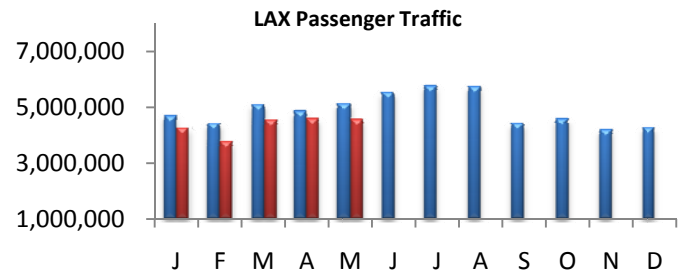
2008



2009

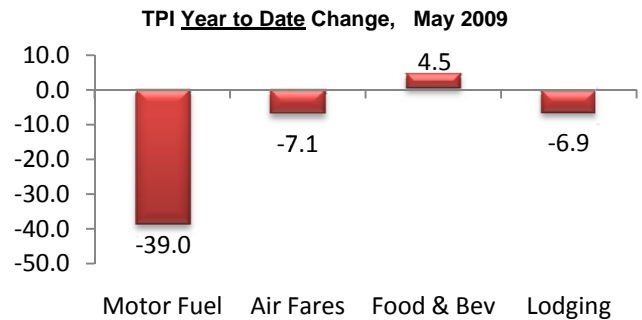
Airport Passenger Traffic

4.6 million Passengers passed through the gates of LAX in May, a decrease of -11.4% vs. last year. The domestic traffic at LAX dropped by -8.1%, while international traffic dropped by -20.2%. Passenger traffic at LA Ontario International also dropped year over year by 27.3% in May. The domestic traffic at LA/ONT was down by -27.7%, while surprising, the international traffic was up +10.9% compare to last year.



U.S. Travel Price Index

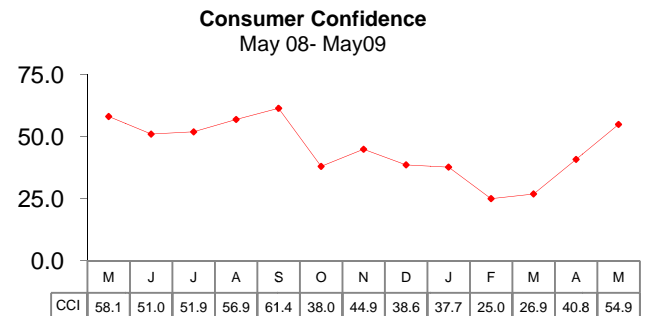
The TPI measured 9.7 percent lower in May than it did during the same month in 2008. Motor fuel prices were dropped down by -39.9% year over year, with airline fares dropped -13.3%. Food & beverage prices were up by 4.2% in May and lodging prices were down at -7.5%. The year-to-date changes (%) for four major tourism sectors are shown in the graph at the right.





U.S. Consumer Confidence

There was a sharp increase in consumer confidence index for the month of May. According to conference board, the confidence index reached 54.9pts in May, gaining +14.1 pts compare to April's confidence index of 40.8 pts. So far, this is the highest level of consumer confidence index reported in past eight months.

Lynn Franco, Director of The Conference Board Consumer Research Center further elaborated, "Continued gains in the Present Situation Index indicate that current conditions have moderately improved, and growth in the second quarter is likely to be less negative than in the first. Looking ahead, consumers are considerably less pessimistic than they were earlier this year, and expectations are that business conditions, the labor market and incomes will improve in the coming months. While confidence is still weak by historical standards, as far as consumers are concerned, the worst is now behind us."



Legend:  2008  2009