

## **Tourist spending in San Diego sets a new record. But for locals that staycation will cost you a lot more.**

By Lori Weisberg

Tourists in San Diego are spending more than they ever have — a record \$13.6 billion in 2022 — even as the number of visitors has yet to rebound to levels seen before the pandemic arrived more than three years ago.

Credit longer overnight stays and inflation — including higher room rates and more expensive meals out — concludes a newly released report from the San Diego Tourism Authority.

The latest numbers are something of a surprise, considering they easily blew past a 2021 forecast that said visitor spending wouldn't eclipse annual, pre-pandemic expenditures of \$11.6 billion until at least 2024. And even then, the total annual sum spent on such things as hotel stays, dining out, visits to theme parks and transportation would only reach \$11.9 billion in 2024.

"Everything accelerated, especially on the leisure side, faster than we expected, and faster than anyone in the industry expected," said Tourism Authority Chief Operating Officer Kerri Kapich. "It was a great surprise."

According to the report, which was prepared by the San Diego Regional Policy Innovation Center, nearly 29 million people visited San Diego County in 2022, compared to the 35.1 million in 2019. Those visitors spent more than \$7 billion alone on hotels; eating out and drinking; \$2.1 billion on local attractions, sports and concerts, \$1.5 billion on shopping, and \$1 billion on transportation.

The overall spending was a record, even with six million fewer visitors.

"This is in large part because of inflation, but it's also because visitors last year spent more time in San Diego, on average, than they did pre-pandemic," the report states. "Overnight visitors stayed an average of 4.2 nights in America's Finest City in 2022 versus 3.7 nights they spent here in 2019."

"While that may not sound like much of a difference, it means that even though there were six million fewer visitors than three years ago, San Diego hotels still sold a total of 17 million room nights in 2022. That is just shy of the 17.7 million room nights sold in 2019."

Especially notable is the rise in nightly rates for hotel rooms. According to STR, which tracks hotel performance across the United States, San Diego's average daily room rate last month was \$201.59 — a nearly 22 percent increase from the 2019 rate of \$165.41. And that's after climbing from a low of \$89.23 a month after the 2020 pandemic lockdown.

Similarly, San Diego hotel revenues have surged, in many instances outperforming top tourism markets across the United States. Revenue per available room, a standard metric for measuring

hotels' financial performance, rose more than 18 percent over the last four years, from \$122.42 in May of 2019 to \$144.87 last month. Only a couple of other major markets exceeded that — Nashville and Miami.

The rebound by most major U.S. cities stands in stark contract to San Francisco, whose tourism economy has taken a steep fall over the last several years. Long a standout and price leader in the nation when it came to room rates, the city saw its hotel revenue per room drop more than 30 percent over the last four years. Rising homelessness and crime, a steep decline in international travelers, and an exodus of office workers from the downtown core are among the factors bedeviling the city.

Kapich believes that San Diego's steadfast commitment to marketing the city, even during the pandemic's lean years, has contributed to its robust revival in visitation.

"We were still inviting leisure travelers to San Diego in 2020 and 2021 when it was safe to do so, and a lot of cities did not spend any money in 2020 and very little in 2021," she said. "We started off smartly where we were only talking to our drive markets, and in 2022, we expanded it further and even further this year. Because we've been consistent about getting the word out I do believe that helped us."

San Francisco, which historically has not done a significant amount of advertising, recently launched a \$6 million ad campaign, including its first-ever TV commercial. In San Diego, the Tourism Authority's media and advertising budget for the current fiscal year is \$23 million, Kapich said.

San Diego, though, isn't immune to the homelessness issues confronting San Francisco and other urban areas across the U.S. Last week, the City Council, following a marathon public hearing that drew a number of speakers from the hotel industry, passed an ordinance banning homeless encampments on public property.

Colleen Anderson, a former hotel manager in both San Francisco and San Diego, warned council members that San Diego's tourism economy could easily meet the same fate as that of San Francisco if steps aren't taken to address the rising population of the unsheltered on city streets.

"The landscape in San Diego is now eerily like what San Francisco was when I left there 10 years ago," said Anderson, executive director of the hotelier-run Tourism Marketing District. "I have witnessed firsthand how unmanaged homelessness can destroy a vibrant tourism economy and the quality of life for people who live and work there.

"The TMD is committed to protecting our vibrant tourism economy. We don't want to become like San Francisco and we must act now."