LAS VEGAS CONVENTION AND VISITORS AUTHORITY

THE IMPACT OF COVID-19 ON THE SOUTHERN NEVADA TOURISM INDUSTRY

APPLIED ANALYSIS

Executive Summary

The COVID-19 pandemic left an indelible imprint on the Southern Nevada tourism industry and the broader regional economy. Compared to recent recessions, the COVID-19 recession's magnitude was unprecedented in its depth and speed. Applied Analysis was retained by the Las Vegas Convention and Visitors Authority (the "LVCVA") to review and analyze the economic impacts of the pandemic on Southern Nevada's tourism industry in 2020. This brief examines the effects on visitation, employment and other key metrics as well as the overall decline in the tourism industry's economic impact due to the pandemic and related response. While the economic losses in 2020 were material, it is worth noting that many of the economic conditions and shortfalls have persisted into early 2021.

- The global travel industry collapsed in the early months of the pandemic and slowly recovered over the year. In Southern Nevada, travel restrictions, resort closings and other pandemic-related responses led to a 55 percent drop in visitor volume to 19.0 million, the lowest annual total since 1989. Convention attendance also fell to its lowest level in 21 years as conventions, trade shows and business meetings were canceled through most of the year.

- Southern Nevada's economy is more dependent on tourism than most other domestic tourism destinations. Among major destinations in the U.S., the Las Vegas metropolitan area in 2019 had the highest share of employment sourced to the tourism industry at 28.6 percent. The region's reliance on tourism made it particularly susceptible to the pandemic and its impacts on travel, conventions, business meetings and other activities that involve large gatherings. Unemployment in the region spiked to 33.3 percent in April 2020 and averaged a record 14.7 percent in 2020.

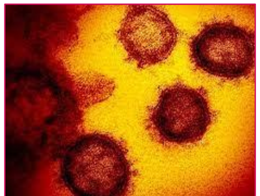
- The economic impacts of Southern Nevada's tourism industry are driven by visitor spending on rooms, dining, shopping, local transportation and other activities and amenities during their stays. That spending directly supports jobs, wages and economic activity, and it ripples through the economy to generate additional impacts via suppliers and vendors (indirect impacts) and by employee spending on goods and services in the community (induced impacts). The fall in visitation translated to a drop in visitor spending from $36.9 billion in 2019 to $17.6 billion in 2020, a 52.2 percent decline. That negative impact was concentrated in the period from mid-March through the end of the year. When evaluated through that timeframe, the year-to-year impact on visitor spending grows to a 66.5 percent drop.

- In 2019, the total economic output related to visitor spending reached $63.6 billion, about half of the region's gross economic output. In 2020, with fewer visitors and less overall visitor spending, the economic impact of the tourism industry dropped by more than half to $29.6 billion.

- The Southern Nevada tourism industry directly employed an estimated 242,500 workers in 2019, and when the ripple effects of visitor spending were included, the tourism industry supported 376,800 jobs. In 2020, direct tourism-related employment fell 32.5 percent to 163,800, and total employment with indirect and induced effects fell by 125,600 to 251,200 jobs, a 33.3 percent decline. When comparing only the pandemic timeframe, that impact rises to a 44.5 percent drop in employment.

- As the largest regional employer, Southern Nevada's tourism industry generates a significant share of worker wages and salaries. In 2019, the industry supported $11.0 billion in direct wages, accounting for 21.5 percent of all wages in the region. The additional indirect and induced impacts supported wages for workers across many sectors of the economy, with a total wage impact of $17.1 billion in 2019. Due to the COVID-19 pandemic, wages paid directly to tourism industry workers fell by $3.3 billion to $7.7 billion, and total wages including secondary ripple effects declined by $5.4 billion to $11.6 billion.

Timeline of the COVID-19 Pandemic



December 2019

COVID-19 Virus Identified in China

January 20, 2020

First Confirmed COVID-19 Case in the U.S.

January 31, 2020

U.S. Declares Emergency, Limits Travel from China

March 5, 2020

First Confirmed COVID-19 Cases in Nevada

March 11, 2020

World Health Organization Declares Pandemic

March 11, 2020

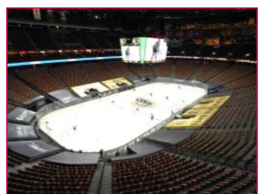
U.S. Limits Travel From Most European Nations

March 12, 2020

Gov. Sisolak Declares State of Emergency

March 12, 2020

NCAA Cancels March Madness Tournament



March 12, 2020

National Hockey League Suspends Operations

March 14, 2020

Cirque du Soleil Suspends Production

March 14, 2020

State Athletic Commission Suspends Fights

March 15, 2020

Resorts Announce Closures; K-12 Schools Close

Timeline of the COVID-19 Pandemic

March 16, 2020
NFL Cancels Draft Events in Las Vegas

March 17, 2020
Non-Essential Business Closures Ordered

March 18, 2020
Statewide Gaming Operations Suspended

March 21, 2020
Record 92,300 Nevadans Apply for Unemployment

March 25, 2020
$2.2 Trillion CARES Act Enacted

June 4, 2020
Gaming Operations Resume; Resorts Start to Reopen

December 14, 2020
First COVID-19 Vaccines Given in Nevada

December 27, 2020
$900 Billion Stimulus Bill Enacted

March 6, 2021
Speedway Hosts NASCAR Weekend at Partial Capacity

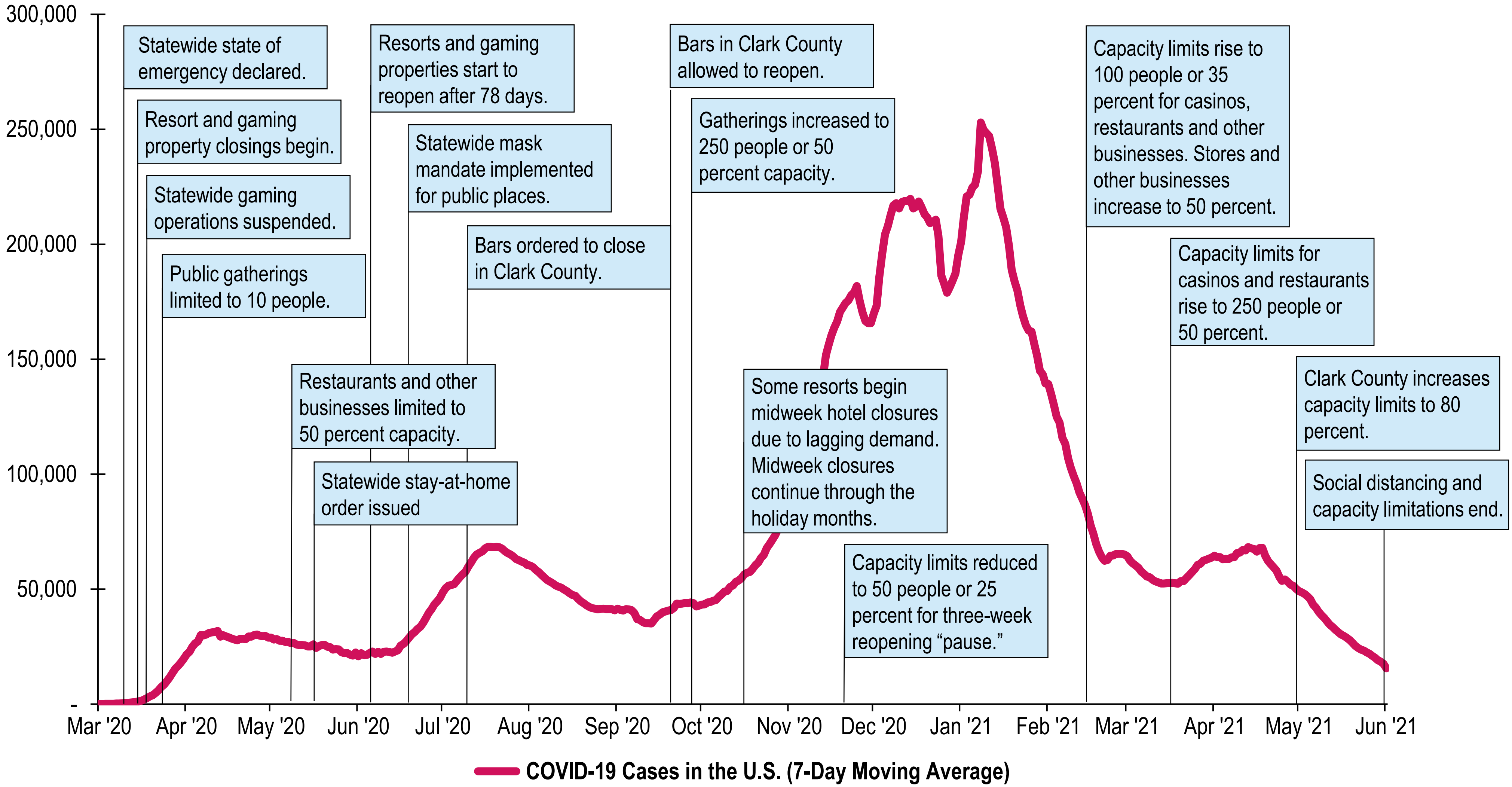
March 11, 2021
$1.9 Trillion American Rescue Plan Enacted

April 13, 2021
Goal Set for 100 Percent Capacity by June 1

May 13, 2021
CDC Loosens Mask Rules for the Vaccinated

As the Pandemic Evolved, the Southern Nevada Tourism Industry Reacted and Adapted

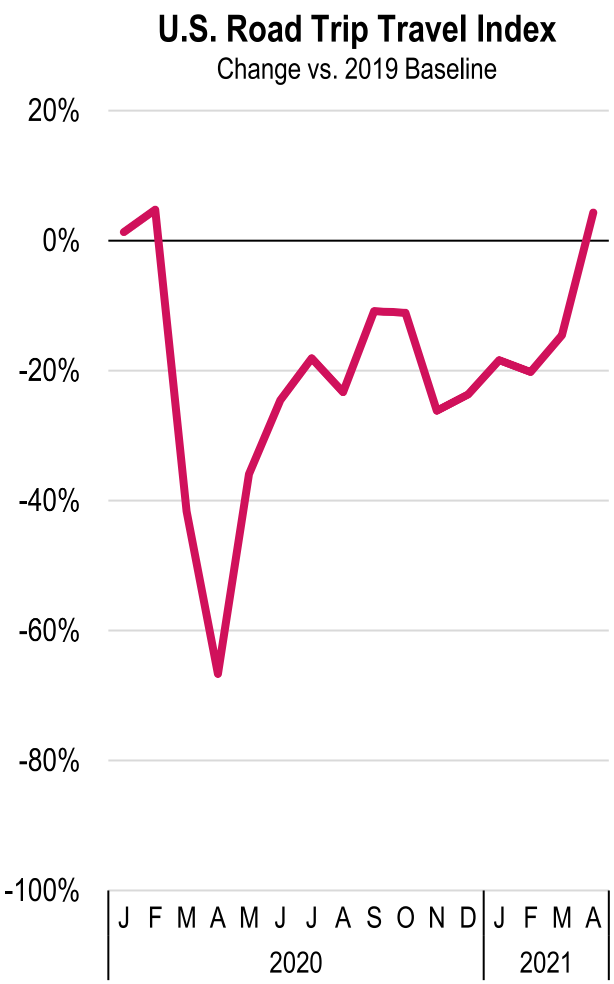
The COVID-19 pandemic swept across the globe in early 2020 before hitting the United States with a vengeance in mid-March. As the nation and state grappled with the public health threat throughout the year, Southern Nevada's tourism industry reacted and adapted to changing capacity restrictions, travel limitations and other outside factors that altered the industry's operating environment. The timeline below illustrates the up-and-down trends of COVID-19 cases nationally and the key responses by public officials and the tourism industry.

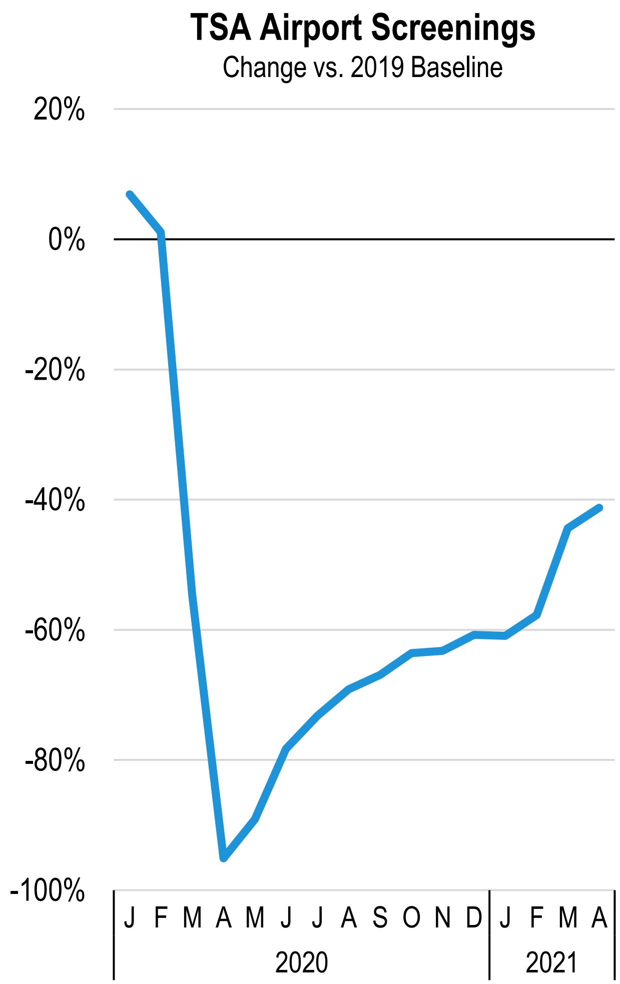


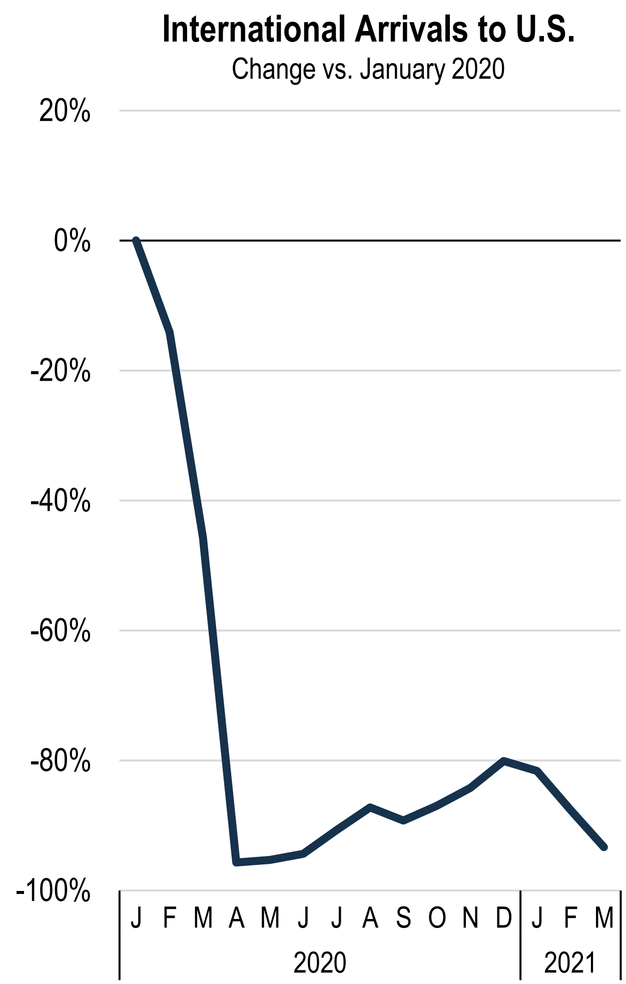
Source: Centers for Disease Control and Prevention

Domestic and International Travel Trends Collapse Due to Pandemic

As the COVID-19 pandemic escalated through March and April 2020, travel around the United States and the world collapsed amid mounting public health concerns, travel restrictions and quarantine requirements. After reaching a relative low point in April, domestic road trips recovered more quickly than air travel through the remainder of the year and into early 2021. Compared with road travel, air travel declined to a greater degree and has recovered more slowly. Domestic air travel has maintained a steady recovery trajectory but remained more than 40 percent below pre-pandemic levels. International visitation has lagged in its recovery as the U.S. maintained extensive travel limitations for visitors from many parts of the world.







Sources: Arrivalist; Transportation Security Administration; U.S. International Trade Administration

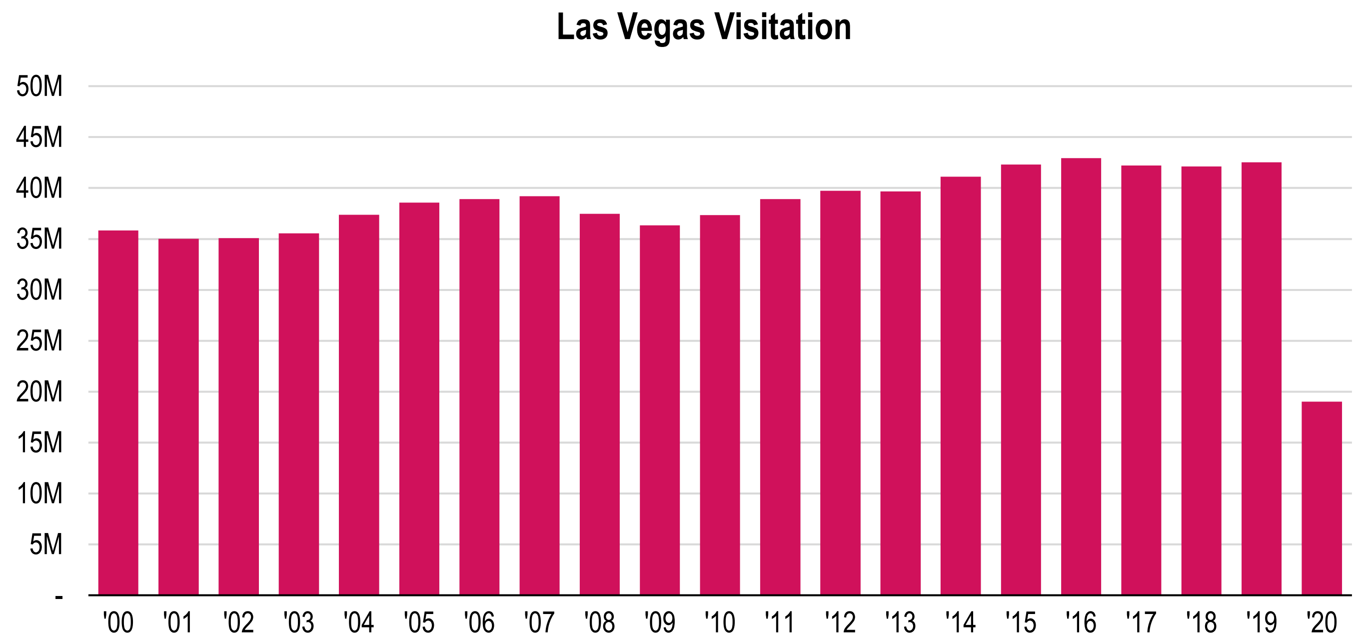
Global Travel Decline Evident in Lowest Visitor Volume Since '89

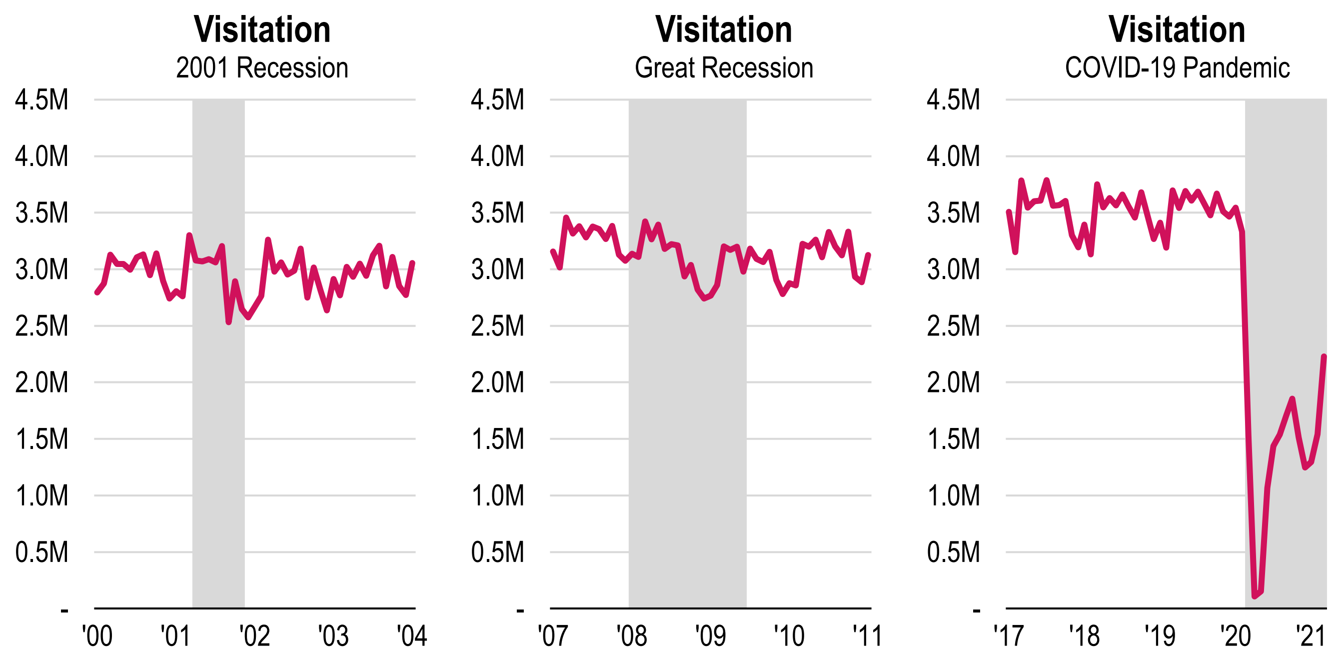
After reaching the second-highest level recorded in 2019, Las Vegas visitor volume plunged 55 percent in 2020 to 19.0 million, the lowest annual total since 1989. The year began on track to reach a new high as January and February set visitation records in each respective month.

March marked a turning point for the nation and the state, however, as COVID-19 cases spiked and the community mobilized in response to the growing threat to public health. That response included international travel restrictions imposed by the federal government and business operation limits in Nevada that included closing all gaming establishments for 78 days from mid-March through May.

After resorts started to reopen in June, visitation trended upward through the summer with a focus on the leisure segment. Visitation pulled back in the fall and winter months amid rising COVID-19 infections and the lack of sporting events and conventions that traditionally fill the calendar in those months.

The decline in visitor volume in 2020 was unprecedented in its speed and depth. On a yearly basis, visitation fell 55 percent, but focusing on the pandemic timeframe of mid-March thru December, visitation fell about 67 percent compared to the same period in 2019.





Source: Las Vegas Convention and Visitors Authority

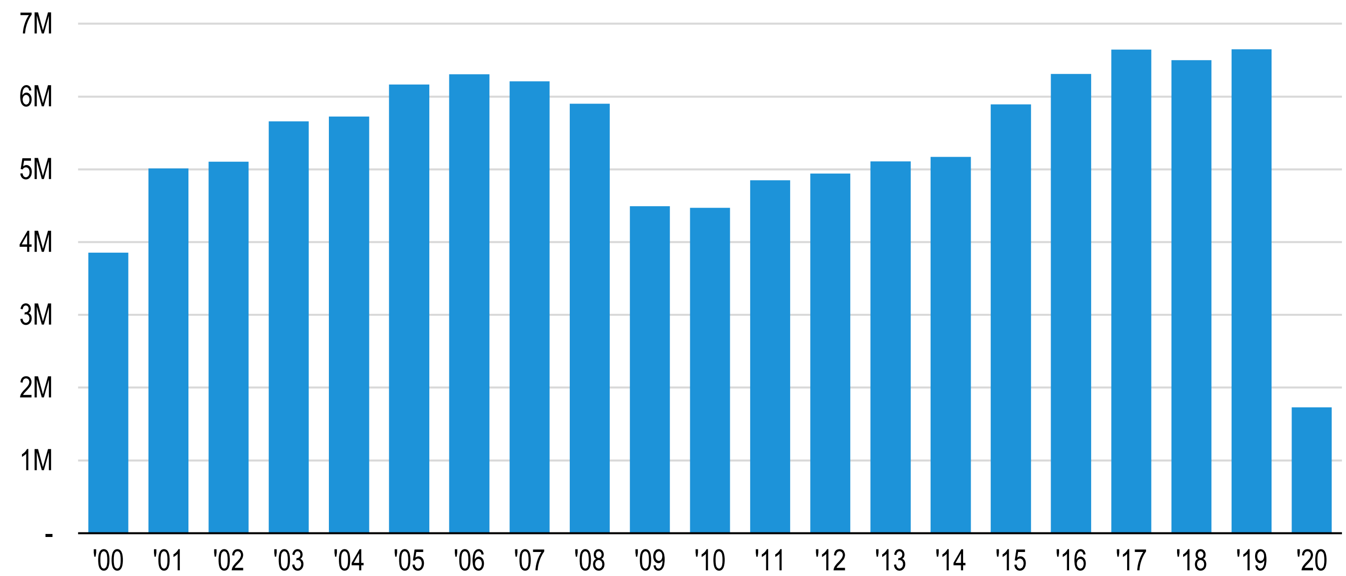
Convention and Trade Show Activity Halts During Pandemic

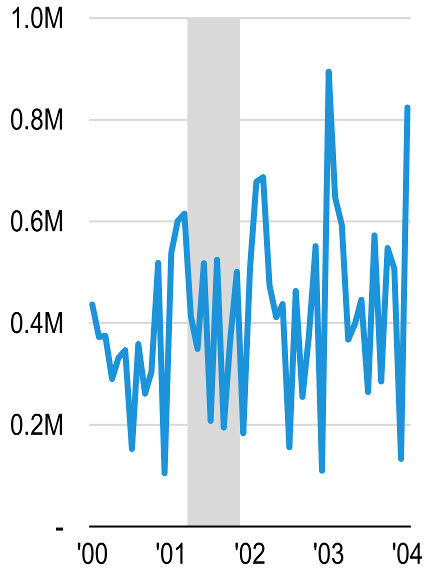
Similar to overall visitation trends, Southern Nevada convention attendance in 2020 also fell to its lowest total since 1989. The 1.7 million convention attendees in 2020 marked a 74.0 percent drop from the record of 6.6 million set in 2019. However, practically all of the year's convention attendance occurred from January through mid-March, effectively concentrating the annual drop between mid-March and December.

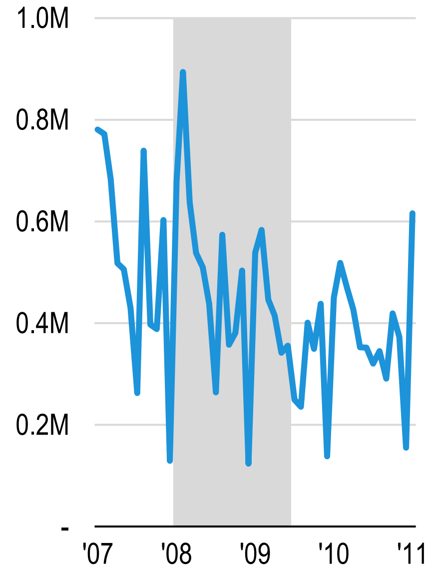
The convention and meeting segment depends on large gatherings of people from across the nation and the world, and the combination of pandemic-related travel restrictions, gathering limits and public health concerns translated into a virtual shut down of convention and trade show activity in Southern Nevada in 2020.

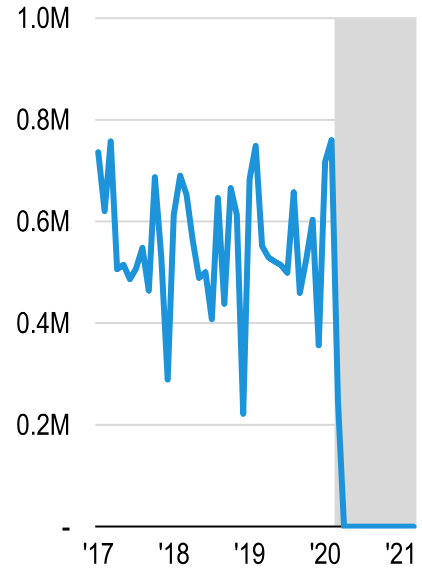
The convention and meetings segment is an important piece of Southern Nevada's tourism economy. Business visitors help boost occupancy and room rates during midweek periods with less demand from leisure visitors. At times in 2020 and early 2021, some resort properties closed their hotel operations during midweek dates due to lack of demand.

Convention and meeting visitors also spend more per trip on average then leisure visitors, making the recovery of this segment a vital component of the overall recovery in visitor volume and economic impact.









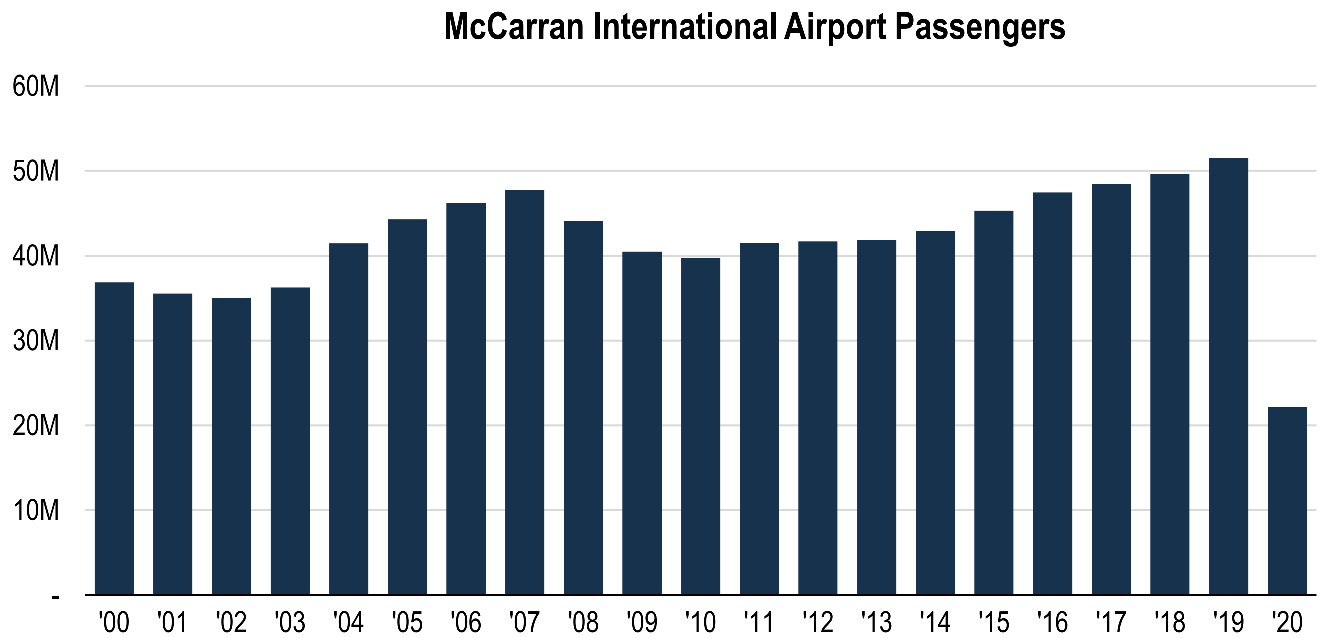
Source: Las Vegas Convention and Visitors Authority

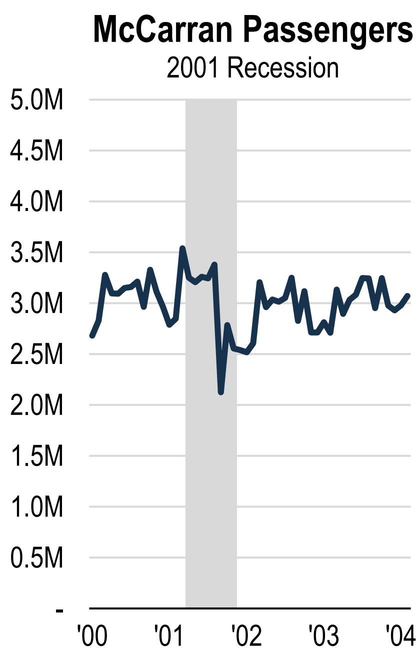
Air Passenger Counts Fall Amid Global Travel Slowdown

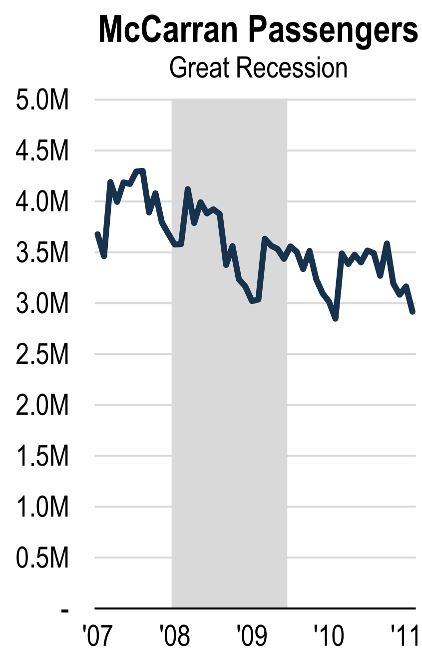
In 2019, the passenger count at McCarran International Airport set a record of 51.5 million. A year later, the total dropped 56.9 percent to 22.2 million, the lowest yearly total since 1992.

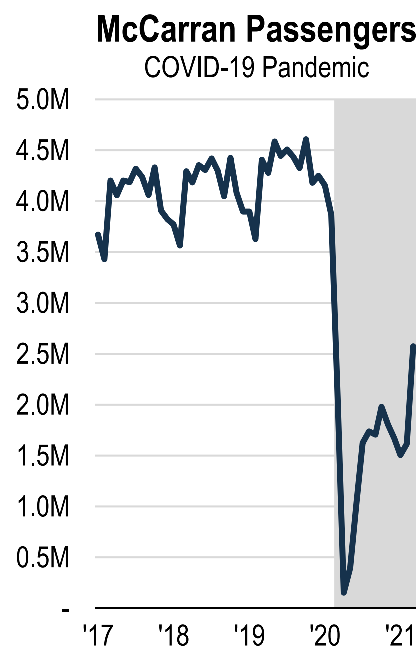
Global travel demand in 2020 was severely hindered by the COVID-19 pandemic and the effects of travel restrictions to and from the United States. The decline in overall travel demand, including international visitors and business travelers, was reflected in diminished air travel to and from Southern Nevada.

In line with overall visitation trends, passenger volumes at the airport have trended up in early 2021 as vaccination rates increased and COVID-19 infections declined. The extent of air passenger recovery through 2021 and into 2022 will be influenced by the recovery in convention and meetings activity in Southern Nevada and the recovery of international visitation. As of April 2021, the U.S. maintained broad travel restrictions for visitors from many parts of the world, including several key feeder markets for Southern Nevada.









Source: McCarran International Airport

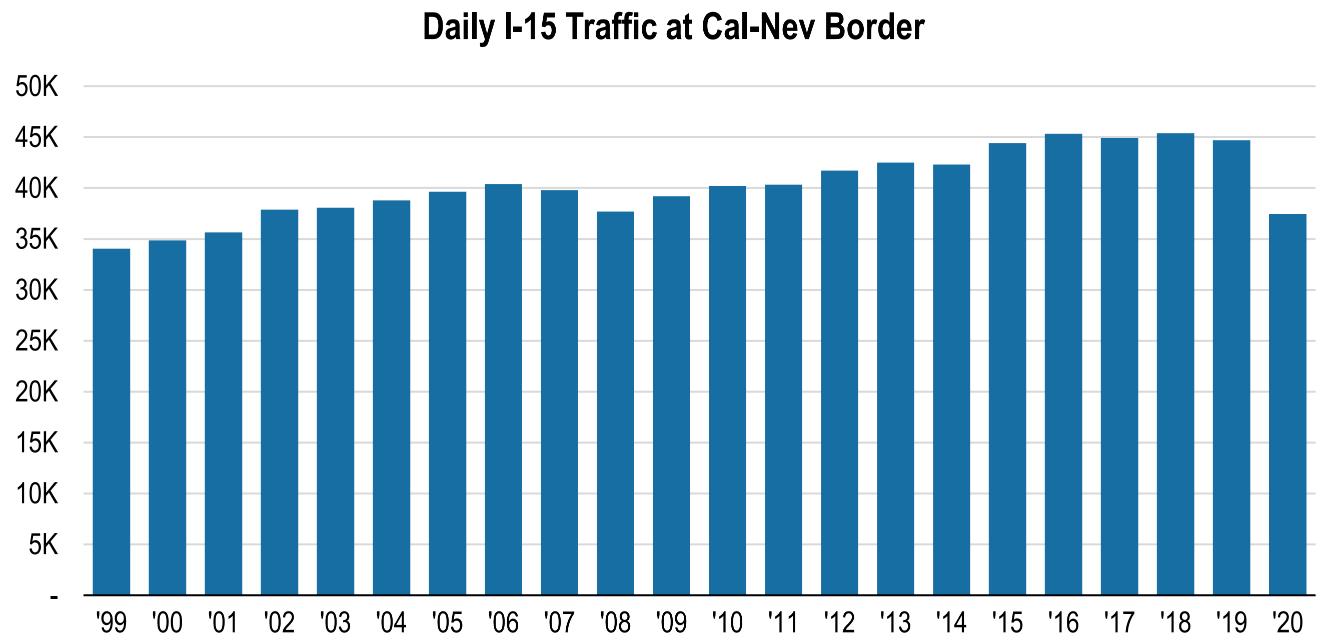
Drive-In Segment Maintains Some Stability During Pandemic

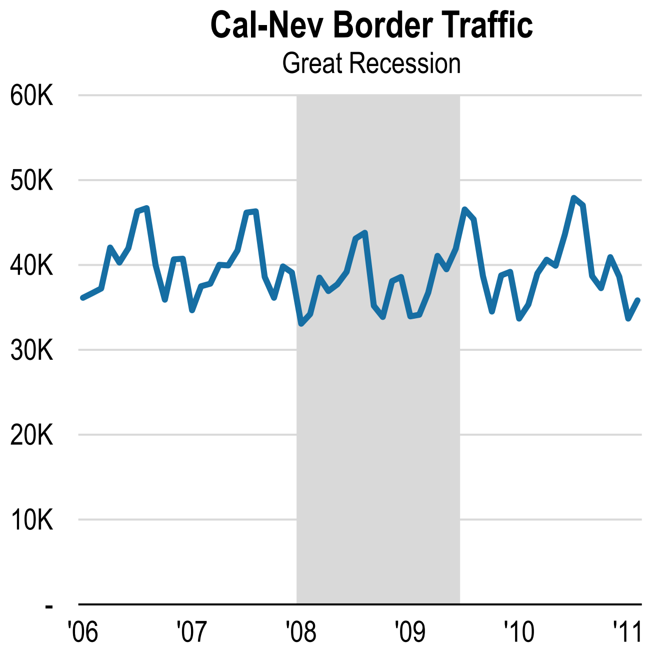
The drive-in visitor segment typically accounts for about half of annual visitor volume in Southern Nevada. With pandemic-related limitations and safety concerns with air travel throughout 2020, drive-in visitors provided a more stable source of visitation during the year.

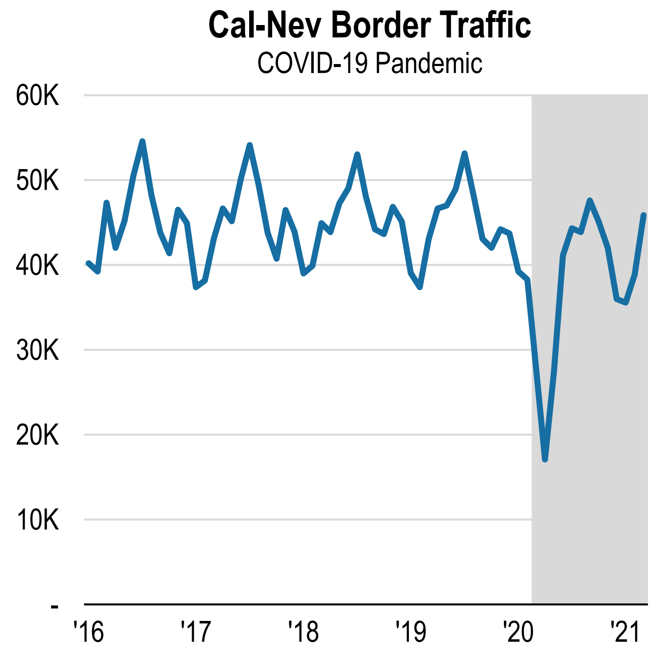
Average daily traffic counts on Interstate 15 at the California border, an indicator of drive-in visitation, declined in 2020 but to a much lesser degree than air passengers. The annual average daily traffic count of 37,500 dipped 16.2 percent on the year. Historically, the 2020 figure was in line with the 2008 figure.

The pandemic-related decline in traffic counts was not as pronounced or as long as with air passenger counts, and monthly averages even exceeded prior year numbers in September and October before declining through the winter months. The local recovery in highway travel was a reflection of a nationwide increase in road trips as travelers sought alternatives to air travel.

Nearby regional markets such as Southern California and Arizona are traditionally a reliable source of visitation, accounting for about one in four visitors. During the pandemic, those and other drive-in markets proved to be important sources for visitation when access from other markets remained limited.







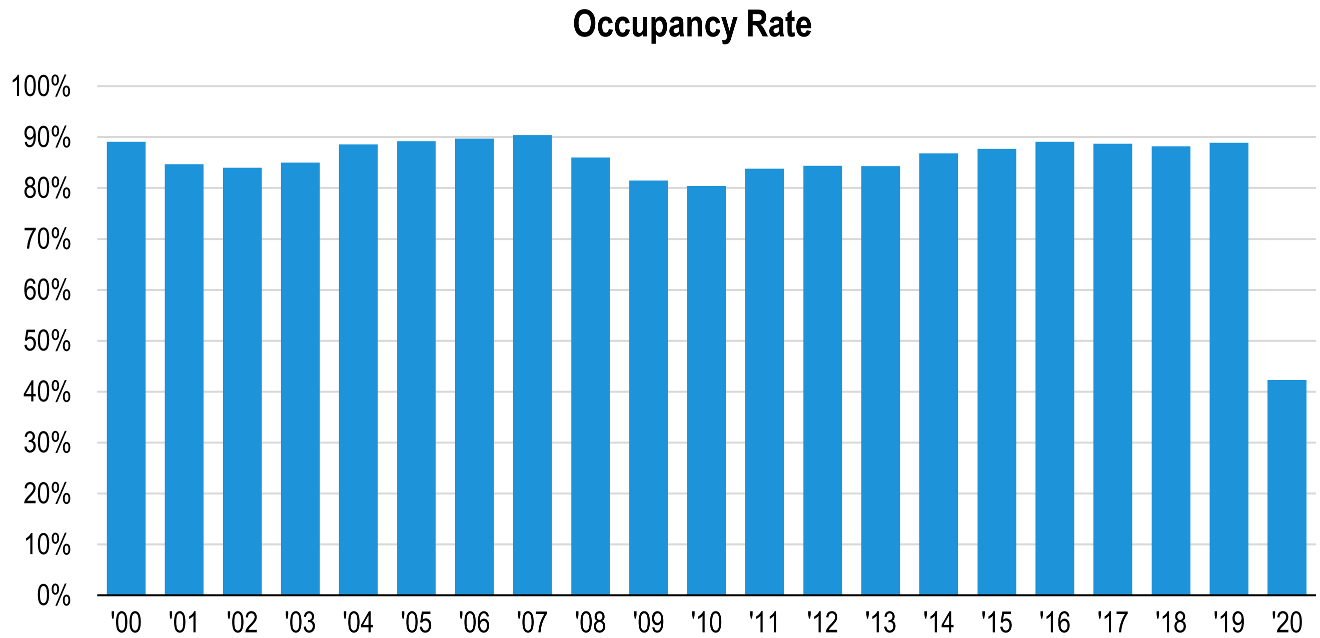
Source: Las Vegas Convention and Visitors Authority

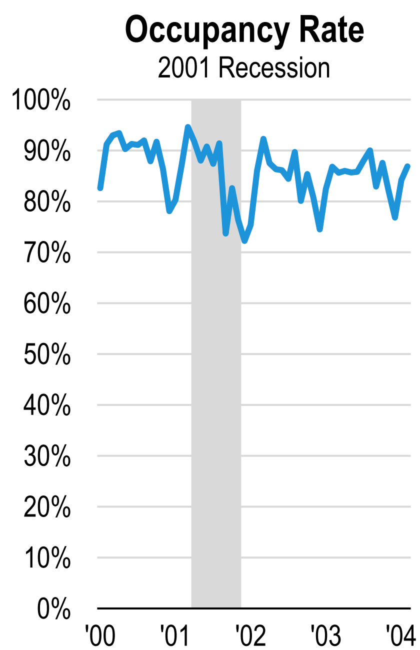
Occupancy Rate Improves After Reaching Unprecedented Low

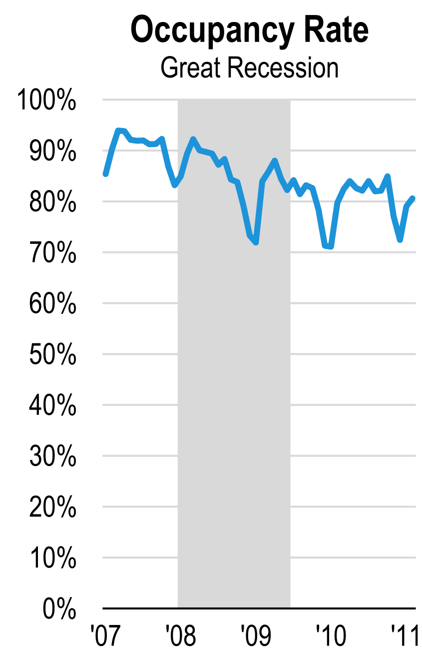
The occupancy rate in Southern Nevada dropped to an unprecedented 42.1 percent in 2020, a direct result of visitor volume tumbling amid the COVID-19 pandemic. Prior to 2020, the lowest annual occupancy rate recorded was 68.0 percent in 1970, and the most-recent low point was 80.4 percent in 2010 following the Great Recession.

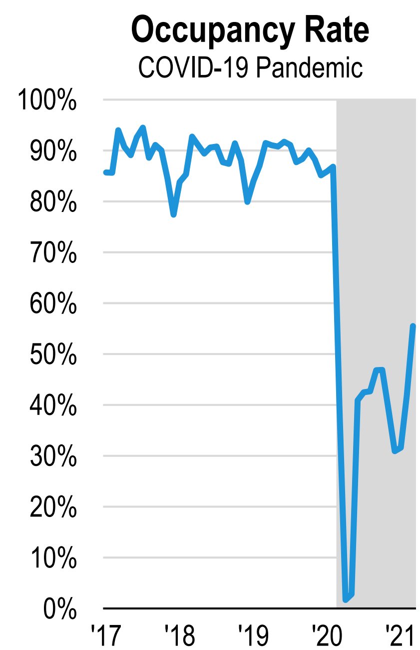
After plummeting during the market-wide resort closures for 78 days through April and May, the monthly occupancy rate improved to the hover between 40 percent and 50 percent. In general, occupancy rates have trended in line with overall visitor volume.

The occupancy rates in the early months of reopening properties reflect only room inventories for open properties to better reflect actual room availability. If rooms at closed properties were included in the calculation, the occupancy rates would be lower. At the end of 2020, the majority of resort properties had reopened, but several smaller properties representing a total of about 5,000 rooms remained closed.





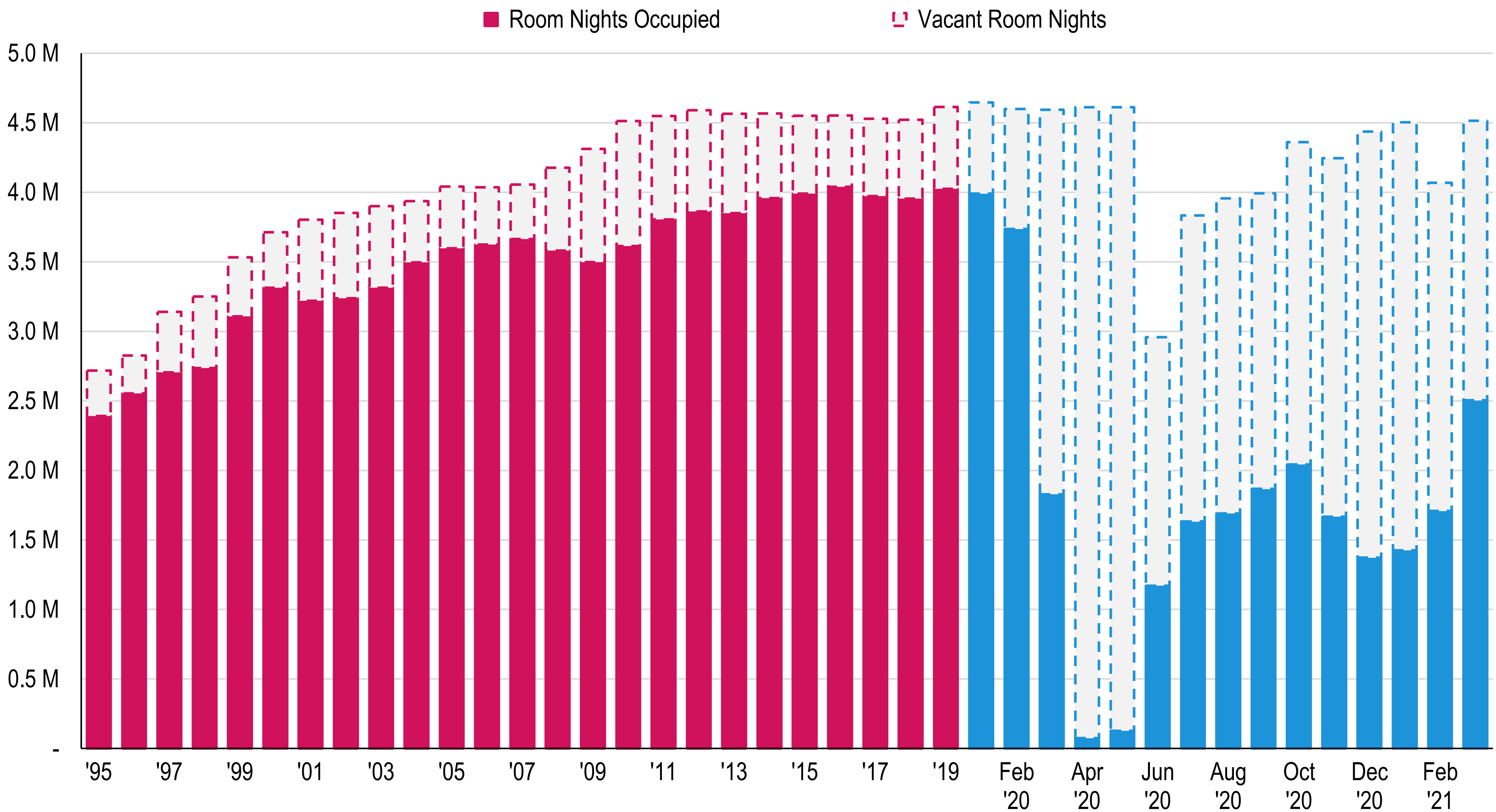




Source: Las Vegas Convention and Visitors Authority

Room Nights Occupied vs. Room Nights Available

The chart below illustrates total available room nights in Southern Nevada and how many were occupied or vacant. The pink bars represent annual averages, while the blue bars represent monthly values since the start of 2020. Room nights available have been fairly stable since 2010. That trend shifted in early 2020 when resort properties closed for 78 days and gradually reopened over the following months. A few larger properties remained closed in early 2021, though room inventory will expand in mid-2021 with the opening of Resorts World Las Vegas, the first major resort addition on the Las Vegas Strip in 11 years.

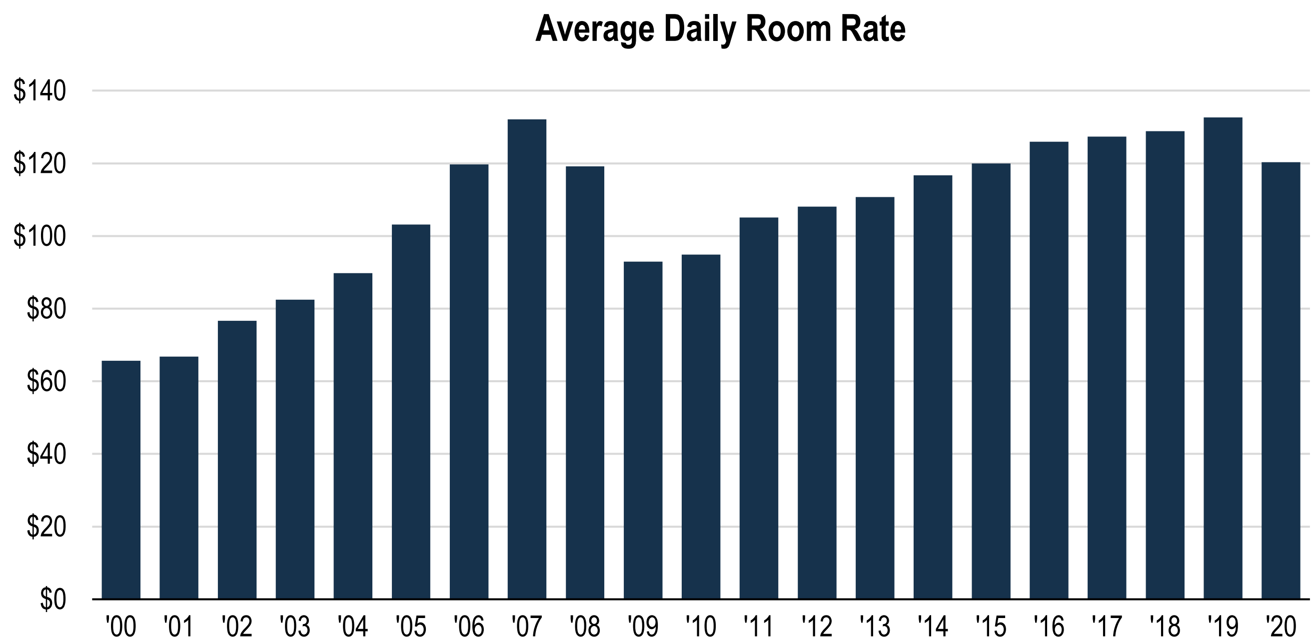


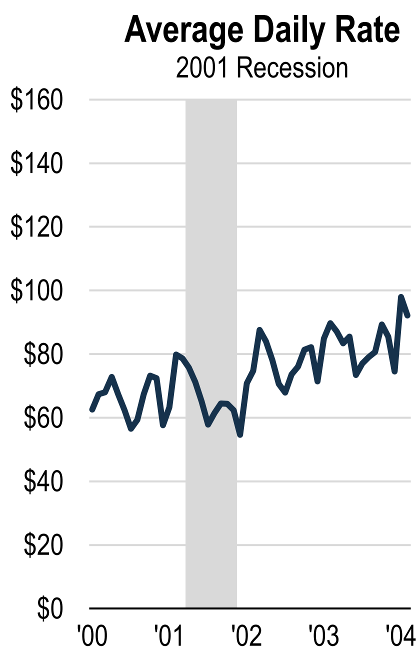
Source: Las Vegas Convention and Visitors Authority; Applied Anlaysis

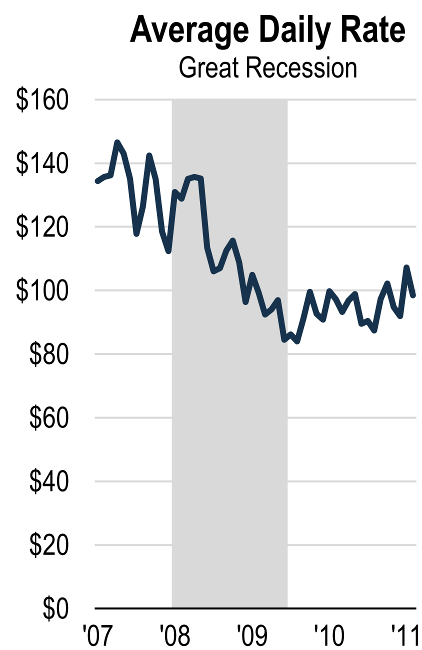
Average Daily Room Rates Fall in Line with Occupancy Rates

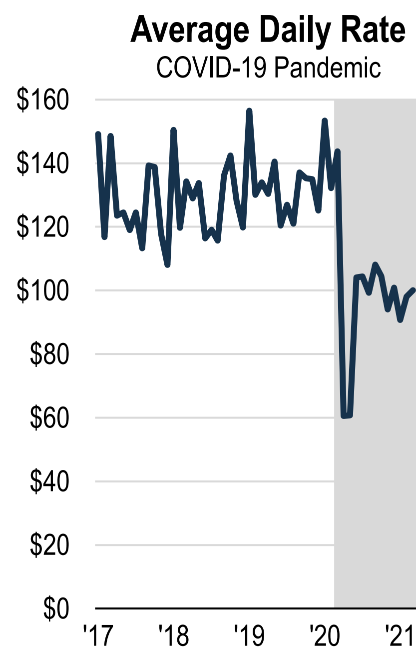
With demand for hotel rooms limited through 2020, average daily room rates in Southern Nevada dropped to their lowest level in two decades. The decline in room rates was moderated to a degree as resorts sought to balance room availability with visitor demand throughout the year.

Along with an overall reduction in demand, daily room rates in 2020 were also affected by the significant decline of international visitors and business travelers, two segments that traditionally pay room rate premiums and stay longer than visitors in the domestic leisure segment.







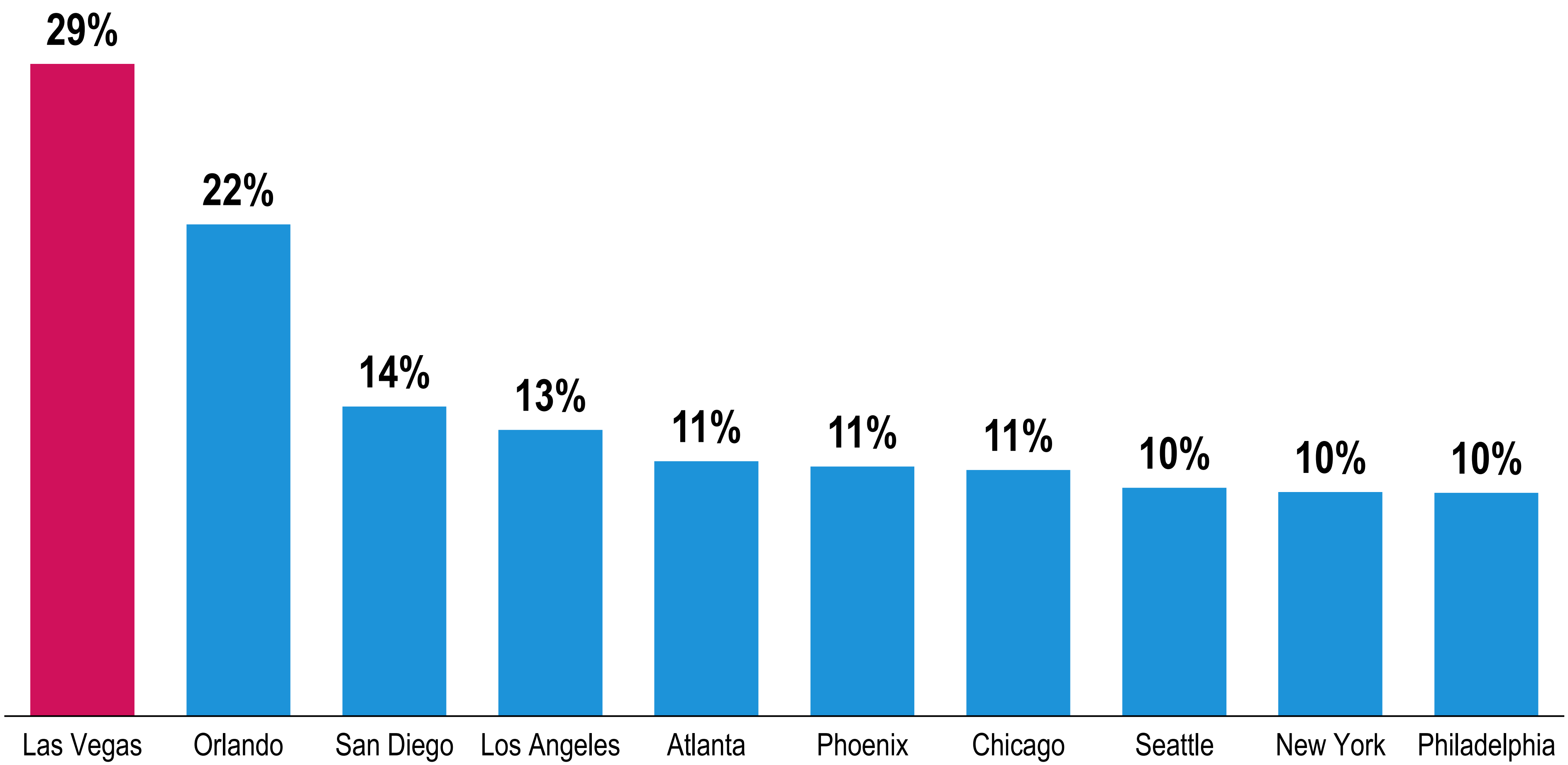


Source: Las Vegas Convention and Visitors Authority

Southern Nevada's Relative Dependence on Tourism

Southern Nevada's economy is far more dependent on the tourism industry than most other domestic tourism destinations. Among major destinations in the U.S., the Las Vegas metropolitan area has the highest share of employment sourced to the tourism industry at 28.6 percent. The Southern Nevada economy's heavy reliance on the tourism industry made it particularly susceptible to the COVID-19 pandemic and the impact it had on limiting travel, dining at restaurants and other activities that involve large gatherings.

Leisure and Hospitality Employment Share



Source: Bureau of Labor Statistics

Southern Nevada's Relative Dependence on Tourism

In April 2020, the Las Vegas metropolitan area recorded an unemployment rate of 33.3 percent, highest among large metro areas. The chart below illustrates the unemployment rates of nearly 300 metro areas in relation to their concentration of employment in the leisure and hospitality industry. Bubble sizes correlate to the number of workers in that industry. Southern Nevada's unemployment rate has improved over the past year, but it has had one of the nation's highest unemployment rates for most of that time.

Unemployment Rate by Tourism Dependence

By Metropolitan Area (April 2020)

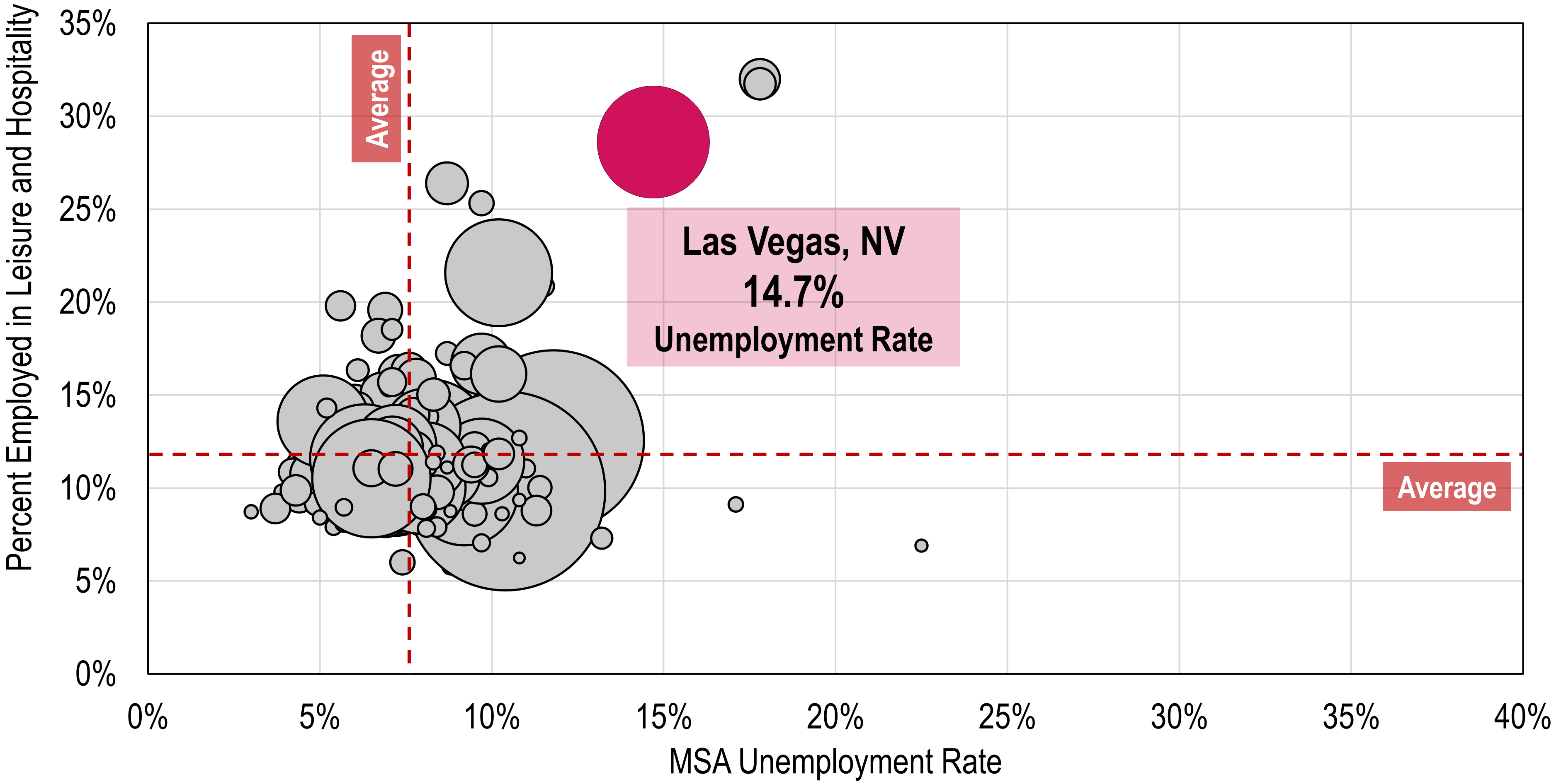
Source: Bureau of Labor Statistics

Southern Nevada's Relative Dependence on Tourism

For the year, Southern Nevada's unemployment rate average was the highest among large metropolitan areas at 14.7 percent and was the fifth-highest among more than 300 metro areas in the United States. Two of the areas with higher unemployment rates were in Atlantic City, New Jersey, and Kahului, Hawaii, two smaller metropolitan areas with larger shares of leisure and hospitality employment than Southern Nevada. The region's unemployment rate improved into early 2021, falling below double digits as COVID-19 infections declined and vaccination rates climbed, though it remained among the highest in the nation.

Unemployment Rate by Tourism Dependence

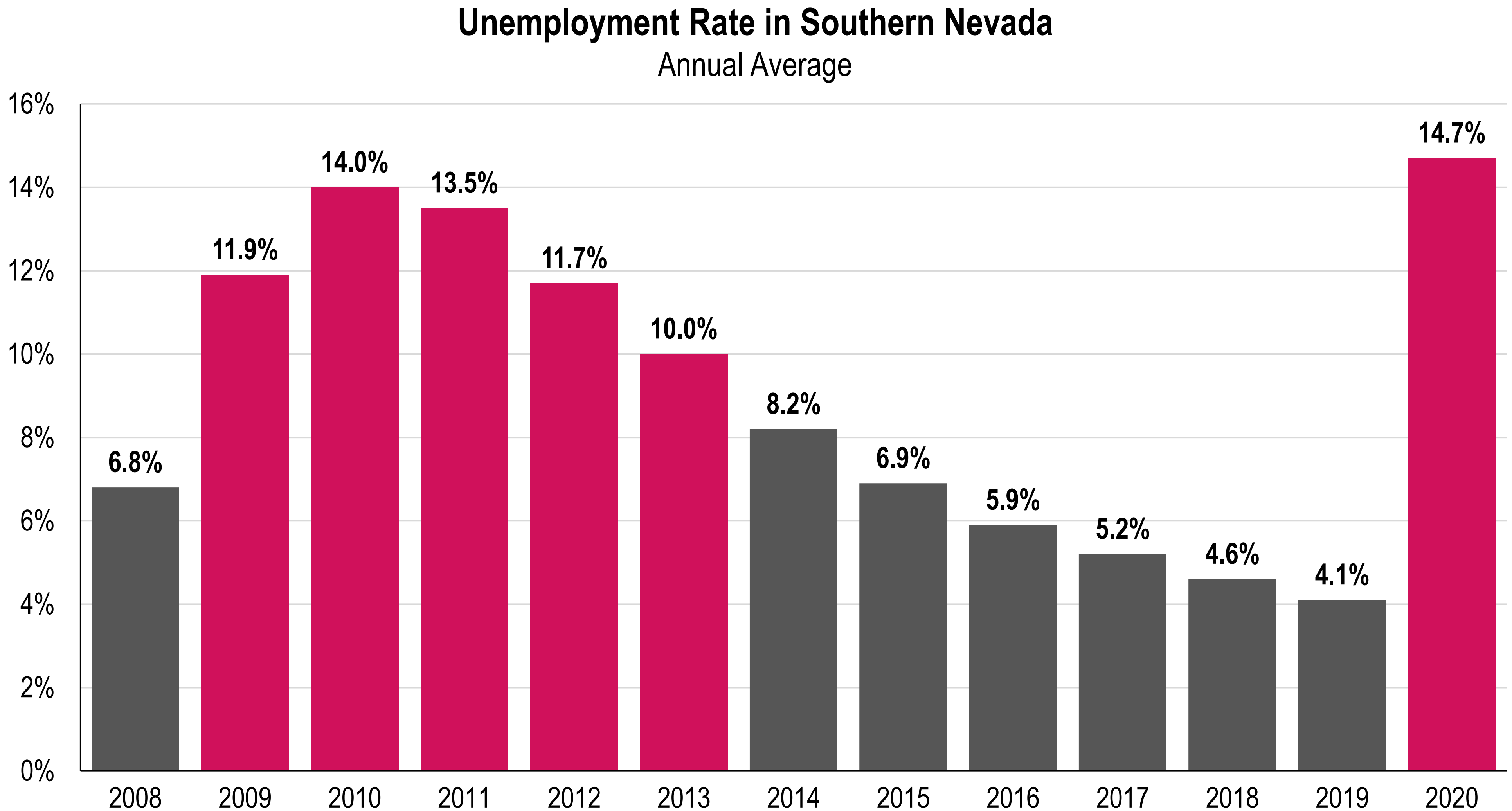
By Metropolitan Area (2020 Annual Average)



Source: Bureau of Labor Statistics

Southern Nevada's Relative Dependence on Tourism

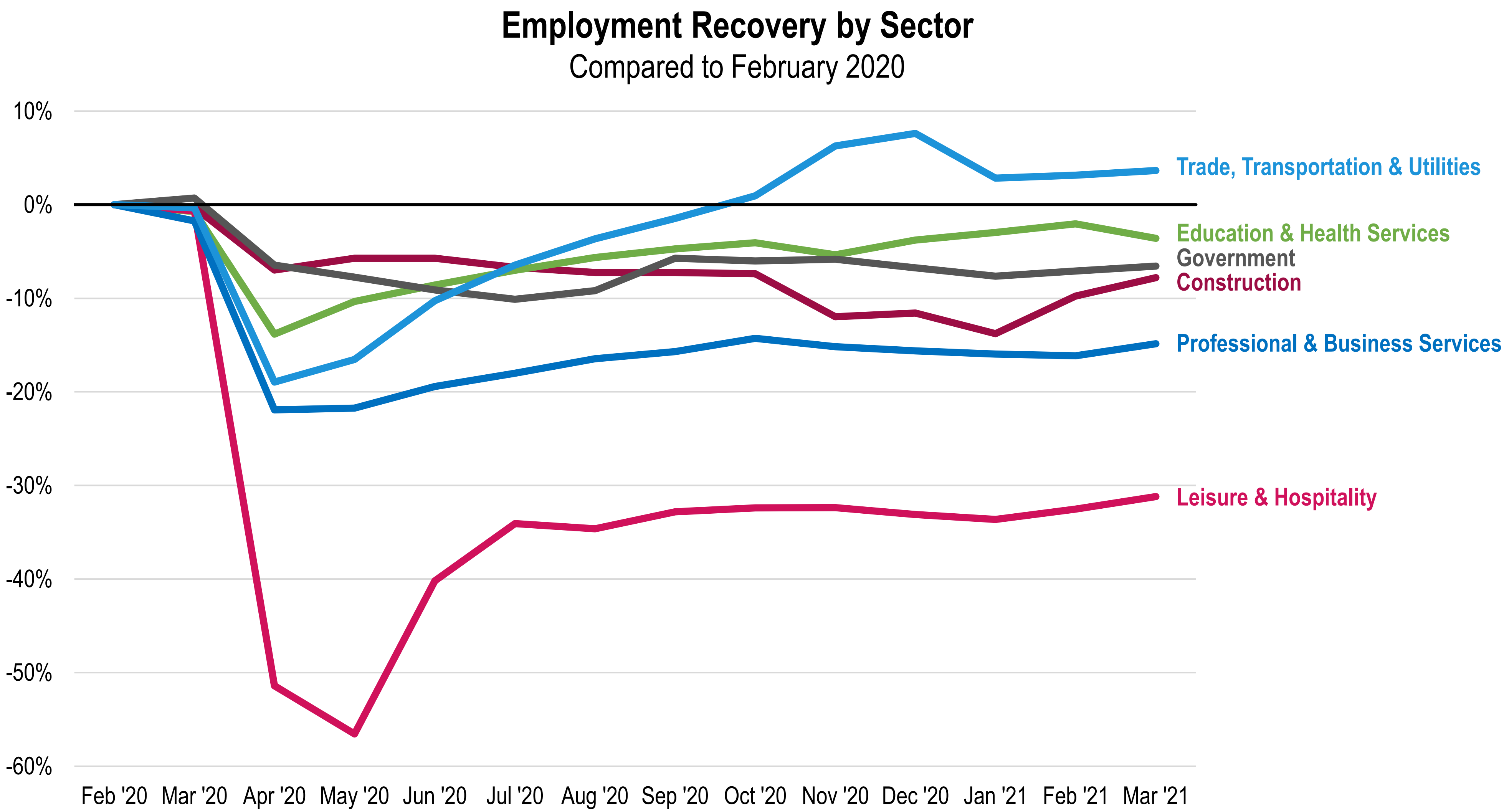
The annual average unemployment rate of 14.7 percent in 2020 was the highest in Southern Nevada history. The previous annual high was 14.0 percent in 2010 in the wake of the Great Recession. The recovery from the Great Recession period was prolonged, with the annual unemployment rate remaining in double-digit territory for five straight years. Much uncertainty remains for the path of recovery from the COVID-19 recession, but economic, fiscal and public health indicators in early 2021 suggest a quicker recovery is possible.



Source: Bureau of Labor Statistics

Leisure and Hospitality Employment Recovery

The leisure and hospitality industry accounts for the largest share of employment in Southern Nevada and is an important indicator of the region's overall economic health. The chart below illustrates the recovery of employment for Southern Nevada's six largest employment sectors compared to February 2020. The sectors have recovered to varying degrees, but the leisure and hospitality industry stands apart in its lagging recovery, which remained about 30 percent below pre-pandemic levels.



Source: Bureau of Labor Statistics

COVID-19 Impacts on Visitor Spending and Economic Output

The economic impacts of tourism in Southern Nevada are driven by the spending from visitors on rooms, dining, shopping, local transportation and other activities and amenities during their stays. That spending directly supports a significant amount of employment, wages and economic activity. Visitor spending also ripples through the economy to generate additional impacts via suppliers and vendors (indirect impacts) and by employee spending on goods and services in the community (induced impacts). In 2019, the total economic output related to visitor spending totaled $63.6 billion, about a third of the region's gross economic output. In 2020, with fewer visitors and less overall visitor spending, the economic impact of Southern Nevada's tourism industry dropped by more than half to $29.6 billion.

2019	**$36.9 Billion** Direct Visitor Spending	**$11.4 Billion** Suppliers and Vendors	**$15.4 Billion** Employee Spending	**$63.6 Billion** Total Economic Impact
2020	**$17.6 Billion** Direct Visitor Spending	**$4.9 Billion** Suppliers and Vendors	**$7.0 Billion** Employee Spending	**$29.6 Billion** Total Economic Impact
COVID-19 Impact	Direct **$19.2 Billion** 52.2%	Indirect **$6.4 Billion** 56.7%	Induced **$8.4 Billion** 54.3%	Total **$34.0 Billion** 53.5%

COVID-19 Impacts on Employment

Southern Nevada's tourism industry is the largest employment sector in the region, with a workforce comprised of employees at the region's resorts, hotels and casinos as well as the workers in bars, restaurants, nightclubs, retail outlets, sightseeing tour companies, taxicab operators and all other tourism-related businesses that cater to visitors. In 2019, the tourism industry directly employed an estimated 242,500 workers, or 23.8 percent of the regional workforce. When the ripple effects of visitor spending are included, the tourism industry supported 376,800 jobs. The impact of COVID-19 through 2020 suppressed direct employment as visitation fell and tourism-related businesses scaled back operations or closed. The pandemic-related declines that affected direct employment also applied to the secondary employment impacts, reducing the total employment impact of the tourism industry by more than 125,000 jobs.

2019	**242,500 Jobs** Direct Impacts	**57,500 Jobs** Indirect Impacts	**76,900 Jobs** Induced Impacts	**376,800 Jobs** Total Impacts
2020	**163,800 Jobs** Direct Impacts	**35,800 Jobs** Indirect Impacts	**51,700 Jobs** Induced Impacts	**251,200 Jobs** Total Impacts
COVID-19 Impact	Direct **78,700** 32.5%	Indirect **21,800** 37.8%	Induced **25,200** 32.7%	Total **125,600** 33.3%

COVID-19 Impacts on Wages and Salaries

As the largest regional employer, Southern Nevada's tourism industry generates a significant share of worker wages and salaries. In 2019, the industry supported $11.0 billion in direct wages, accounting for 21.5 percent of all wages earned in the region. The wages and salaries earned by tourism industry workers was roughly equal to the total earnings by employees in Clark County's manufacturing, professional services and information industries, combined. The additional indirect and induced impacts supported wages for workers across many sectors of the economy, with a total wage impact of $17.1 billion in 2019. Due to the COVID-19 pandemic, wages paid directly to tourism industry workers and to workers through the secondary ripple effects dramatically declined by a third to $11.6 billion.

2019	**$11.0 Billion** **Wages** Direct Impacts	**$2.8 Billion** **Wages** Indirect Impacts	**$3.2 Billion** **Wages** Induced Impacts	**$17.1 Billion** **Wages** Total Impacts
2020	**$7.7 Billion** **Wages** Direct Impacts	**$1.8 Billion** **Wages** Indirect Impacts	**$2.2 Billion** **Wages** Induced Impacts	**$11.6 Billion** **Wages** Total Impacts
COVID-19 Impact	Direct **$3.3 Billion** 30.0%	Indirect **$1.1 Billion** 38.1%	Induced **$1.0 Billion** 32.4%	Total **$5.4 Billion** 31.8%

COVID-19 Impacts Magnified Without First Months of 2020

Prior to the COVID-19 pandemic, Southern Nevada visitation in early 2020 was on pace to exceed the 2019 total of 42.5 million. When those strong early months are excluded, the profound impact of the pandemic on the tourism industry becomes more evident. The illustrations below show the difference in pandemic-related impacts between 2019 and 2020 for the entire year compared to the period from mid-March through the end of the year.

Visitor Spending

Full Year Impact: -52.2%

Pandemic Period Impact: -66.5%

Total Output

Full Year Impact: -53.5%

Pandemic Period Impact: -67.4%

Total Employment

Full Year Impact: -33.3%

Pandemic Period Impact: -44.5%

Wages & Salaries

Full Year Impact: -31.8%

Pandemic Period Impact: -44.1%

Methodology and Limitations

METHODOLOGY

General and industry-specific employment and wage data reported on a quarterly basis were obtained from the Nevada Department of Employment, Training and Rehabilitation. Baseline travel volume, visitor spending data and room tax collections were obtained from the Las Vegas Convention and Visitors Authority, the Nevada Gaming Control Board, Clark County School District and the Nevada Commission on Tourism. Gross domestic product estimates were obtained from the Bureau of Economic Analysis.

Beginning in the 2019 fiscal year, the Gaming Control Board implemented new accounting procedures for departmental revenue reporting as follows: with regards to Financial Accounting Standards Board ("FASB") accounting standards codification 606, revenue from contracts with customers, all non-restricted licensees (public and nonpublic organizations as defined by FASB) were required to follow the new accounting standard when preparing standard financial statements. While the analysis contained herein is reflective of the latest economic activity, there may be modest variances from prior year editions of this report as a result of third-party reporting changes.

To identify the interrelationships in a regional economy, the IMPLAN (Impact Analysis for Planning) software, databases and methodology were used when estimating the economic impacts generated by the Southern Nevada resort and tourism industry. IMPLAN is one of three generally accepted applications used to model industry interrelationships within an economy. The model attempts to demonstrate mathematically how the outputs of one industry become the inputs of other industries.

IMPLAN employs a regional social accounting system that is used to generate a set of balanced accounts and multipliers. The social accounting system is an extension of input-output analysis. Input-output analysis has been expanded beyond market-based transaction accounting to include non-market financial market flows by using a social accounting matrix framework. The model is designed to describe the transfer of money between industries and institutions (e.g., households) and contains both market-based and non-market financial flows, such as inter-institutional transfers. IMPLAN uses regional purchase coefficients generated by complex econometric equations that predict local purchases based on a region's characteristics. In this case, the region is Clark County, Nevada. Output from the model includes descriptive measures of the economy including total industry output, employment and value-added contributions for over 500 industries.

ANALYSIS LIMITATIONS

This analysis used the best available data to analyze the economic impacts of Southern Nevada's tourism industry. It relies heavily on data reported by third-party data providers; and, although we have no reason to doubt the accuracy of these data, they have not been subjected to any auditing or review procedures by Applied Analysis. Input-output models, as is the case with all economics-based models, are not without their limitations. The static model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions. This means that for every job lost or created, a fixed change in investment, income and employment will result. In reality, developers, operators, consumers and governments deal with a changing economy in very complex ways, constantly altering their mix of capital, labor and levels of investment.

Finally, it is important to note that this is a preliminary undertaking that will be supplemented by on-going and future analyses. This report is not intended to be comprehensive and may not be appropriate for all purposes.