

A DIVE INTO PROFESSOR INNIS' REPORT AND OUR FINDINGS

Local realtors and the Mount Washington Valley Association for Responsible Vacation Rentals (MWVARVR) have been touting Professor Daniel Innis' report "*Estimating the Economic Impact of The Short-Term Rental Market in Conway, New Hampshire*" on social media and in the opinion section of the Conway Daily Sun. I gave it a read. I got to the second paragraph - "very modest impact of STRs on rent prices, as well as real estate prices, based on extant research." Very *modest* impact? Really? In the same article, Innis goes on to say that STRs provide an eye popping \$45-50M of economic activity in Conway. Holy cow! Intrigued, I thought what the heck, I'll go down this rabbit hole to see where it leads.

USING NATIONAL AVERAGE ON A REGIONAL ISSUE IS DECEPTIVE

Innis downplays the impact of STRs on rental costs and housing prices in the MWV by using national averages which are somewhat irrelevant for a regional issue. It's like telling people in Gordo, CA that the price at the local gas pump isn't really \$7.59/gallon because the national average price for gas is \$3.40/gallon - Gordo's experience is very different from the national average. Prof. Innis cites that over a 5-year period STRs are responsible for just a .002% increase in rental costs and .01% increase in home prices on a nationwide basis, but the nationwide basis includes thousands of towns that don't have STRs so it waters down the averages. Why not use more relevant county averages? Here's just one anecdote: At a recent Madison Selectmen's meeting, a gentleman mentioned that he's rented a house for 2yrs and that the owner now wants to raise the rent +300% to \$6,200/month because she wants to turn it into a STR. His experience isn't the national average, and it isn't an isolated story in the MWV. The point? National averages don't tell the local story and shouldn't be used.

\$45-50 MILLION OF ECONOMIC ACTIVITY - LET'S DISSECT THAT NUMBER

Getting to the economic impact of STRs on Conway – the good stuff, and why MWVARVR paid Innis to write this report. Innis claims that STRs generate \$45-50M of economic activity for Conway. What a lucrative boon...if true.

According to Innis' article (page 9), there are 500 STRs in Conway that rent for an average of \$350 per night for an average of 70 nights per year to an average of 5 people per night who each spend an average of \$131 per night (see table 1 below). Innis applies an economic multiplier of 1.5x to the visitor spending portion to get to **\$34.4M** Economic Activity from Spending and then adds rental revenue of **\$12.3M** to get to **\$46.7M**/year of Total Economic Activity for Conway.

Table 1 - Innis' Math (page 9 of article)

A - STRs	B - Avg Rental Rate	C - Avg Nights Rented	D - Total Rental Revenue (A x B x C)	E - Avg # of Persons Per Night	F - Avg Overnight Spending Per Person Night	G - Total Spending I un (AxCxExF)	H - Multiplier	Economic Activity from Spending (G x H)
500	\$350	70	\$12.3M	5	\$131	\$22.9M	1.5x	\$34.4M

For the sake of this response, I assume all data but the \$131 Average Overnight Spending Per Person Night (Column F) and the Multiplier are accurate. Innis pulled the \$131 number from Dean Runyan

Associates' report, "The Economic Impact of Travel on New Hampshire 2011-2017," prepared for the Division of Travel and Tourism Development, found on visitnh.org. (The actual number is \$132 as shown in Table 2 below but Innis used \$131.) This number includes spending in all categories by visitors at all accommodations - hotels, motels, B&Bs, STRs, a friend sleeping on the couch - as confirmed by Grant Runyan at Dean Runyan Associates.

Table 2 - Dean Runyan Associates, page 12

New Hampshire Average Overnight Spending (\$)

per Person Night	2011	2013	2014	2015	2016	2017	Annual Change	
							2011-17	2016-17
Four Seasons	\$126	\$130	\$131	\$130	\$129	\$132	0.8%	1.9%
Winter	\$125	\$131	\$131	\$129	\$131	\$133	1.1%	1.2%
Spring	\$123	\$127	\$129	\$128	\$125	\$128	0.7%	2.8%
Summer	\$131	\$136	\$138	\$136	\$135	\$135	0.6%	0.6%
Fall	\$125	\$126	\$127	\$126	\$127	\$131	0.8%	3.0%

It's not clear why Innis chose to use this higher NH average and not the more relevant, lower number for Carroll County of \$106 Average Overnight Spending Per Person Night as shown in Table 3 below. Carroll County's number is 19% lower than NH's, and using it wipes 19% off Innis' numbers. Poof, \$6.6M disappears.

Table 3 - Dean Runyan Associates, page 34

Average Overnight Spending by County (\$Millions)

per Person Night	2011	2013	2014	2015	2016	2017	Annual Change	
							2011-17	2016-17
Belknap	\$73	\$77	\$78	\$77	\$78	\$79	1.4%	2.0%
Carroll	\$99	\$103	\$104	\$104	\$103	\$106	1.1%	2.4%
Cheshire	\$38	\$40	\$41	\$40	\$40	\$41	1.3%	2.5%
Coos	\$94	\$99	\$100	\$101	\$101	\$105	1.9%	4.3%
Grafton	\$125	\$130	\$132	\$133	\$134	\$139	1.7%	3.8%
Hillsborough	\$144	\$146	\$145	\$145	\$147	\$147	0.4%	0.0%
Merrimack	\$83	\$86	\$87	\$86	\$86	\$89	1.2%	2.9%
Rockingham	\$292	\$300	\$303	\$305	\$306	\$308	0.9%	0.9%
Strafford	\$37	\$38	\$39	\$38	\$38	\$40	1.1%	4.3%
Sullivan	\$33	\$34	\$34	\$33	\$32	\$33	0.1%	2.9%

As shown above, Innis included STR rental revenue of \$12.3M in his \$46.7M estimate. But, Average Overnight Spending Per Person Night includes spending in all categories, including accommodations, confirmed by Grant Runyan (in an email and telephone exchange). So Innis inadvertently double counts rental revenue. Poof, another \$12.3M evaporates.

Let's redo the math using the more accurate Carroll County number of \$106 Average Overnight Spending Per Person Night which, again, includes the cost of accommodations, and removing the New Hampshire State multiplier which shouldn't be applied to a local economy, especially one as small as Conway with a population of less than 10,000. (While it is probable that most money spent in NH stays in NH, it is improbable that most money spent in Conway stays in Conway so the multiplier could be <1.0x if there is leakage to surrounding towns.)

A - STRs	B - Avg Nights Rented	C - Avg # of Persons Per Night	D - Avg Overnight Spending Per Person Night	E - Total Spending (A x B x C x D)
500	70	5	\$106	\$18.5M

The result is Total Economic Activity of **\$18.5M**, 60% below Innis' \$46.7M estimate. **The \$18.5M is comprised of \$12.3M rental revenue + \$6.2M visitor spending.** According to Conway town officials, approx. 72% of STRs are owned by out-of-Conway owners thus rental revenue of \$12.3M breaks down into \$8.9M from out-of-Conway owners and \$3.4M from Conway-owners. So if we subtract the amount of rental revenue that goes to out-of-Conway owners, though some portion of the \$8.9M does stay locally for house cleaning, plowing, general maintenance, etc., the Total Economic Activity falls within a range of \$9.6M (\$6.2M visitor spending + \$3.4M Conway rental income) to \$18.5M (\$6.2M visitor spending + \$12.3M rental income), far from the \$45M to \$50M estimated by Prof. Innis.

About the researchers of this report. John and Terri Cancelarich have owned a second home in Eidelweiss Village in Madison since 2013, and are looking to relocate to Madison in 2-3 years. John has an electrical engineering degree from the University of Notre Dame and Terri has a finance degree from Boston University and holds a Chartered Financial Analyst (CFA) designation.