

Methodology and Summary of Findings

Randall Travel Marketing (RTM) conducted a survey of the vacation rental properties, hotels/ motels, bed and breakfast inns in Currituck County. The survey instrument (questionnaire) was sent to each lodging property in Currituck County. The one-page questionnaire was written by RTM and approved by the Currituck County Department of Travel and Tourism. The survey was designed to determine the percentage of occupancy driven by eight (8) market segments, annual and monthly occupancy percentages, typical travel party and top leisure feeder markets. The survey was conducted during the months of June and July 2007.

Currituck County currently has twenty (20) rental properties (3,070 units), six (6) hotel/motels (194 rooms) and two (2) bed and breakfast inns (8 rooms). As of October 2007, the overall lodging response rate to the RTM survey was 63.60% and is broken down as follows: Nine (9) rental properties representing 2,081 of the 3,272 rental properties, four (4) hotel/motel lodging properties representing one hundred ninety (190) of the one hundred and ninety-four (194) hotel/motel rooms, and two (2) bed and breakfast inns representing eight (8) of the eight (8) bed and breakfast rooms available.

Randall Travel Marketing (RTM) contacted twenty (20) rental company managers to participate in executive interviews. Five (5) rental company managers participated in these interviews. The purpose of these interviews was to ascertain perceptions of the vacation rental business in Currituck County.

Therefore, the CCDTT can have confidence in the data as being predictive and representative of the overall lodging trends in Currituck County. Those responding represent a reliable sampling of lodging property types, locations and service levels. Thus, this data is useful for decision making purposes.

The data has been analyzed and conclusions are provided on the following pages along with charts that demonstrate and outline the overall findings from the lodging properties who responded to the surveys.

Summary of Currituck County Lodging Report

In analysis of the lodging data collected in this report, RTM noted the following overall observations:

- **Approximately 3,300 lodging units:** The majority of the lodging properties in Currituck County are rental homes. The average party size renting a house is approximately seven (7) people.
- **Leisure visitors (including golfers) account for approximately 96.68% of Currituck County lodging. Groups, transient and other travelers represent 1.79%. The remaining 1.56% is comprised of individual business, convention/meeting and SMERF travelers.** It is very important for Currituck County community leaders to understand the customer mix that is visiting Currituck County and the importance of the CCDTT in recruiting each segment. Currituck is a leisure destination!
- **Overall the vast majority (89%) of travel parties are families.** Very clearly, Currituck County is considered a family destination.
- **Spring, summer and autumn are the busiest travel seasons. Winter is the least.** This is typical, although with more aggressive marketing, off-season lodging occupancy can be boosted.
- **Average length of stay is 5-6 nights.** This was reported by the lodging properties and was also confirmed in the responses from the mail survey.
- **Rental Property Executive Interviews:** The five (5) responding agencies in the RTM interviews skewed toward the larger lodging agencies therefore the averages reported here are slightly high for the overall market.
- **Currituck Rental Agency Information:** The larger rental agencies responding to this survey have been in business for an average of seventeen (17) years. The overall average of full time employees reported is twenty-six (26) full time and one hundred-eight (108) part time employees.
- **Currituck Rental Inventory Increase:** Rental unit inventory has doubled since the year 2000 and 2007. With this growth rental property executives have noted an increase in customer demand for high end, larger and more elaborate homes with many amenities.
- **Currituck Rental Home Owners:** Less than five percent (4.2%) of the rental unit owners join or drop out annually (turn-over). The majority of the respondents indicated that 99.6% of the rental units were purchased as rental investment property. Concerns of the home owners are income versus expense, condition of property after renting, investment appreciation, and resale.
- **Currituck Renter statistics:** Rental property executives have noted that there are more multi-family renters. The typical party size ranged from 6-16 adults with 7+kids. Homes averaged between five (5) and six (6) bedrooms. Many are repeat annual renters.
- **Currituck versus Regional competition:** Visitors choose Currituck over other beach/destinations for the beautiful beaches, limited commercial and high rise development and larger nicer rental homes.
- **Marketing and Advertising:** The average amount spent by rental agencies in advertising and marketing ranged from \$85,000 to \$810,000.
- **Promotion of Currituck County:** Rental company managers identified the need to promote potential growth for both in season as well as off season.

Lodging Report

Lodging Inventory

There are currently twenty (20) rental agencies representing 3,070 rental units (houses/condos), six (6) hotel/motels (194 rooms) and two (2) bed and breakfast inns (8 rooms) located in Currituck County. The overall Currituck County lodging statistics are as follows:

Lodging Property Type	Total Lodging Properties/Agencies	Rooms/ Units	% of Lodging Inventory
Rental Agency	20	3,070	93.8%
Hotel/Motel	6	194	5.9%
Bed and Breakfast Inns	2	8	.24%

(Source: CCDTT)

Currituck County Lodging Inventory

Rental Properties	Units	Rental Properties	Units
Atlantic Realty	21	Outer Banks Blue	120
Brindley Beach	203	Prudential Resort	156
Carolina Designs	92	Resort Quest	324
Corolla Classic	211	Seaside Vacations	66
Elan Realty	70	Shoreline Preferred	29
GSH	2	Southern Shores	49
Joe Lamb Realty	5	Stan White Realty	93
Karichele Realty	147	Sun Realty	287
Kitty Dunes Realty	204	Twiddy and Company	512
Kitty Hawks Rental	225	Village Realty	254
Total Rental Properties 3,070			

(Source: CCDTT)

Hotel/Motel Lodging Properties	Room Count
Bay Breeze Lodge	~
Hampton Inn	123
Midway Motel	4
Sea Oats Motel	12
The Inn at Corolla Light	43
Walnut Island Lodge	12
Total Hotel/ Motel 194	

(Source: CCDTT)

Bed and Breakfast Properties	Room Count
Palmer Inn Bed and Breakfast	4
Trish's Bed and Breakfast	4
Total Bed & Breakfast 8	

(Source: CCDTT)

Lodging Report

Market Segmentation

When marketing tourism to a destination it is critical to have an understanding of the different customer segments that drive occupancy in local lodging properties. This data provides an understanding of the categories that drive the greatest economic impact for the area and the most lodging tax that funds the CCDTT marketing budget. The chart below reveals the overall market segmentation as reported by the nine (9) rental agencies (1,883 units), four (4) hotel/motels (190 rooms), and two (2) bed and breakfast inns (8 rooms) that participated in the study. Most local lodging properties do not track the primary trip purpose of all of their guests, so this data is based upon the management team at each property interpreting the data they have on hand and their close personal knowledge of their customer mix.

2006 Lodging Market Segmentation

Rental Units	Hotel/Motel	Bed & Breakfast	Overall	Category
61.34%	97.94%	100.00%	63.60%	Lodging response Rate (by room count)
96.84%	79.82%	28.50%	94.98%	Leisure
82.09%	69.23%	3.50%	80.57%	Tourists visiting beach, attractions, shopping, etc
14.75%	10.59%	25.00%	14.41%	Visiting local friends and relatives (weddings, reunion, etc)
1.86%	.19%	.50%	1.70%	Golf package/ golf group
.83%	3.11%	8.00%	.91%	Corporate/business
0.00%	8.26%	0.00%	.82%	Other (Contract labor, trainees)
.18%	3.70%	22.50%	.58%	Pass through/part of longer trip
.13%	.23%	1.00%	.40%	Convention
.18%	1.01%	.50%	.25%	Sports Group
~	2.17%	21.50%	.22%	SMERF
~	1.52%	17.50%	.14%	Group tour

(Source: RTM Lodging Survey)

In similar studies RTM typically finds the average community to have one third of its lodging rooms occupied by leisure travelers, one-third occupied by individual business travelers and one-third by various groups including conferences, meetings and sports. The leisure segment occupies the majority of rooms in Currituck County with a 2006 overall average of 94.98%. This combined total includes the following: tourists visiting the beach, attractions, shopping and those visiting friends and relatives.

The next segment of travelers to Currituck County in rank order is golf groups with an overall average of only 1.70%. RTM is surprised by this ranking and would have expected golf to have a larger impact as a primary driver of visitation. The Currituck Club is located on the coast and was rated as the "Ten Best Places You Can Play Golf" by *Golf Magazine*. *Golf Digest* recognized The Currituck Club as one of the "Top 25 Courses in North Carolina (1999) and "Best Places to Play" (2004).

When combining convention, SMERF, and corporate/business segments for 2006 overall average is only 1.56%. Meeting space is available with capacity to accommodate forty (40) to one hundred fifty (150) people at various facilities. RTM recommends tracking both segments carefully and understanding that one of the smartest strategies is to ensure that all individual business and convention/meeting travelers are informed and find visitor information which is likely to increase per-visitor spending and overall trip satisfaction as much as possible.

Overall, RTM finds the lodging market mix, as reported by the lodging properties in Currituck County to be reliable. We found no surprises, nor any data that would cause concern. Leisure (beach) is clearly the primary motivator for visitation. Our recommendation based on this market mix data is for the CCDTT to continue to monitor market mix on an annual basis, and perhaps also on a seasonal basis in order to help its constituents understand the likelihood and potential for each market segment, along with the strategic need to increase the per-visitor spending of current visitors.

Top Ranked Leisure Feeder Markets

The table below reveals the top five leisure feeder markets identified by the lodging properties that responded to the RTM survey.

2006 Overall Top Feeder Markets

Combined Lodging Properties Feeder Markets	First	Second	Third	Fourth	Total
Virginia	9	3	2	0	14
Pennsylvania	1	3	1	2	7
District of Columbia	2	2	2	0	6
North Carolina	1	2	2	0	5
Maryland	0	1	3	0	4
New Jersey	0	1	1	2	4

(Source: RTM Lodging Property Survey)

The top feeder market for Currituck County is the state of Virginia including the cities of Richmond and the Chesapeake/Hampton/Norfolk/ Virginia Beach area. The second top feeder market for Currituck County is the state of Pennsylvania which included the city of Philadelphia and Pittsburg. Third in the rank order is the Washington, D. C. area. Therefore, Currituck should look north for future business.

Walk-In Lodging

RTM asked the hotel/motel and bed and breakfast lodging properties to report the percentage of their overall occupancy that walks in the door without a prior reservation. Some of the properties did not report this information as many do not track it. The participating properties reported as follows; hotel/motels walk-ins averaged 4.89% and Bed and Breakfast walk-ins averaged 10.00%. This is typical of a non-interstate location. This also indicates that the vast majority of travelers to the Currituck County plan their lodging *prior* to their trip. This is also indicated in the visitor mail survey findings and responses section of this report. More than one-third (39.74%) of visitors surveyed planned their travel thirty (30) to sixty (60) days in advance. This makes Currituck County's marketing efforts, especially its Internet marketing strategy, of critical importance.

Lodging Visitor Profile**2006 Visitor Profile**

	Rental Properties	Hotel/Motel Lodging Properties	Bed and Breakfast Inns	Overall
Average travel party size	10.2	2.5	2	6.8
Average length of stay	7	2	3.5	5.4
Adults traveling with children	87.26%	59.13%	20.00%	89.35%

(Source: RTM Lodging Property Survey)

RTM also asked rental properties, lodging properties, bed and breakfast inns to provide the typical travel party, typical length of stay and percentage of guests that were adults traveling with children. The participating properties provided the following data: average party size of 6.8, average length of stay 5.4 nights and 89.35% of all parties being comprised of adults traveling with children. The data reveals that hotels and Inns have similar guest profiles while rental units tend to attract larger travel parties who stay longer than those in single room lodging such as hotel/motel and bed and breakfast inns.

Lodging Occupancy**2006 Monthly Occupancy Trends – By Type of Lodging**

Month	STR 2006 Monthly Occupancy Hotels/Motels (Currituck & Dare County)	2006 Monthly Occupancy Currituck Rentals*	2006 Monthly Occupancy Currituck Hotels/Motels*	2006 Monthly Occupancy Currituck Bed & Breakfast*
January	38.2%	7.65%	15.66%	44.50%
February	41.8%	8.80%	24.88%	42.50%
March	50.2%	11.29%	38.79%	62.50%
April	63.8%	25.30%	60.17%	64.00%
May	67.1%	50.58%	56.61%	60.00%
June	71.4%	79.92%	56.26%	65.50%
July	78.6%	90.06%	70.08%	92.50%
August	76.5%	88.13%	64.99%	91.00%
September	67.3%	55.81%	61.11%	74.00%
October	57.0%	28.59%	53.39%	66.00%
November	42.8%	19.14%	46.11%	39.00%
December	31.2%	12.08%	13.03%	87.50%

*(Source: RTM Lodging Survey)

Lodging properties in the Currituck County area were asked to provide monthly occupancy percentages. The chart above reveals monthly occupancy percentages as reported by the Currituck County lodging properties that participated in the RTM survey and monthly occupancy data provided by Smith Travel Research in its STR Report.

Lodging Report

The first column (STR Hotels/Motels) in the previous table reveals that hotel/motel reported higher year round average occupancy than rental units. This is the case for both the Currituck hotels/motels and Currituck bed and breakfast inns.

Rental units run lower occupancy in the shoulder and offseason. Therefore, there is greater demand among smaller travel parties for single room (hotel/motel, bed and breakfast) lodging properties for coastal travel in the off season. Therefore the higher occupancy of single room lodging room properties indicates that there is winter demand for this segment which indicates a possible strategy for rental houses in the off season.

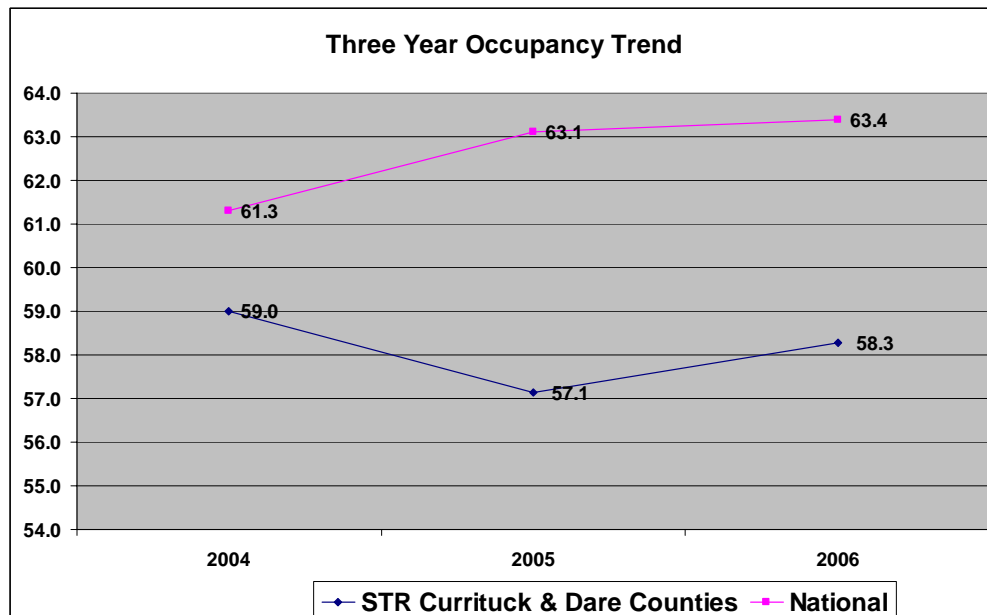
Not surprisingly, summer and fall months have the highest occupancy percentages for all types of lodging and the winter and spring months have the lowest occupancy percentages.

RTM obtained data from Smith Travel Research (STR) in the form of a three (3) year trend report for Currituck and Dare Counties.

Three Year Annual Occupancy Trends

Year	Currituck and Dare Counties Occupancy	% of change	National Occupancy	% of Change
2004	59.0%	-2.1	61.3%	+3.5%
2005	57.1%	-3.1	63.1%	+1.8%
2006	58.3%	2.0	63.4%	+ .5%

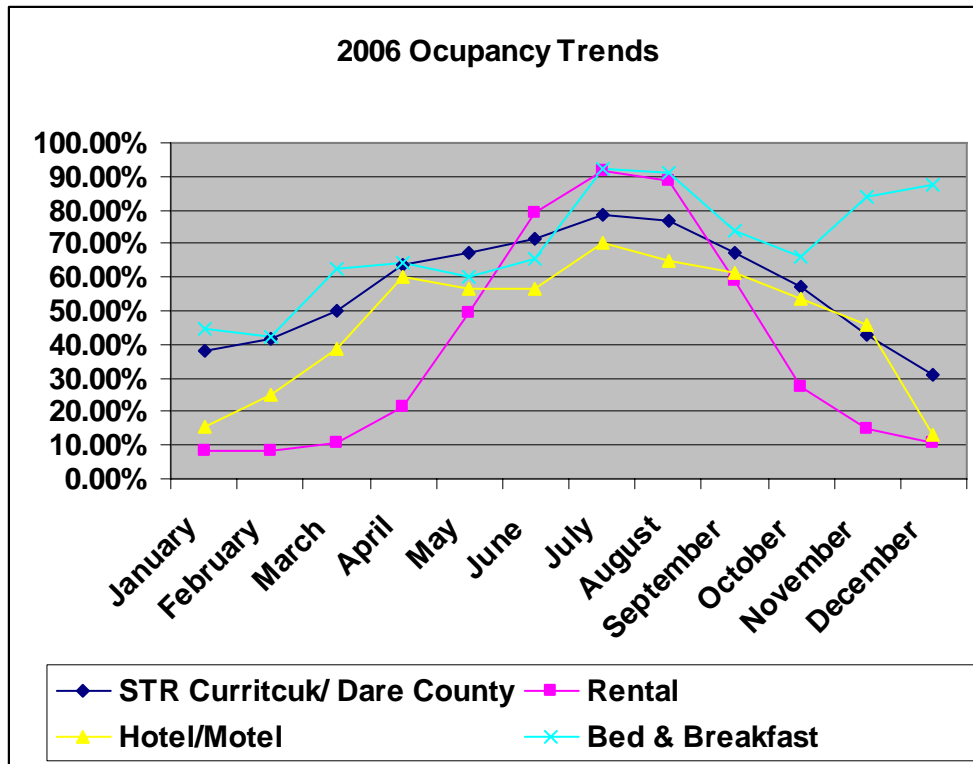
(Source: Smith Travel Research (STR) Report)



(Source: Smith Travel Research (STR) Report)

Lodging Report

Nationwide, hotel occupancy reached a high water mark of 63.7% in 2000, which was followed by a decline to a low point of 59.2% in 2003, a rebound to a 61.3% level in 2004, and 63.1% in 2005. Projections for 2007 continue to call for steady growth. According to Smith Travel's STR report, occupancy as reported by Currituck and Dare Counties has shown a decline from 2004 at 59.0% to 58.3% in 2006. Therefore the local lodging performance falls short of the national averages.



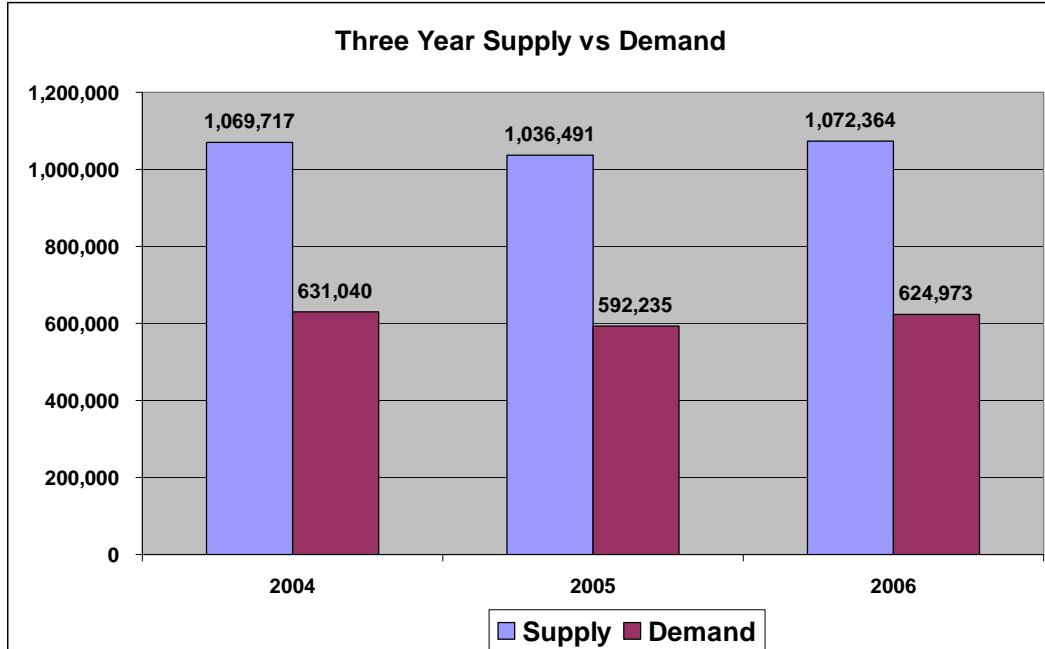
(Source: RTM Lodging Survey and Smith Travel Research (STR) Report)

NOTE:

The chart above reflects 2006 occupancy trends as reported by Smith Travel Research (STR) report for Dare and Currituck Counties as well as participating lodging properties in Currituck County.

Lodging Supply and Demand

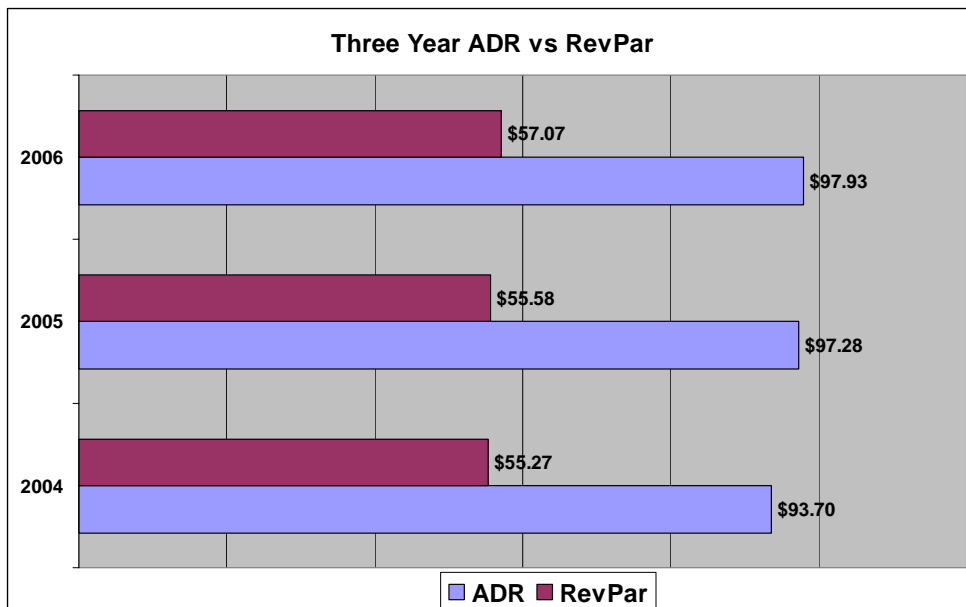
As you can see in the chart below, the demand for rooms has declined since 2004. The supply of lodging had a slight increase from 2005 to 2006.



(Source: Smith Travel Research (STR) Report)

Average Daily Rate (ADR) and RevPar

The chart below reveals that the ADR (Average Daily Rate) has had a slightly increase since in the past three (3) years as has the RevPar (Revenue Per Available Room).



(Source: Smith Travel Research (STR) Report)

Interviews with Rental Agency Managers

RTM conducted interviews with rental agency managers in Currituck County. The specific interview questions and aggregated responses follow. The average rating for each response is provided and any specific comments made are preceded by a bullet point. Every effort has been made to present the comments exactly as stated by the interviewee, while deleting any direct references that might identify the person who made the comment.

Each question asked is stated in the document and followed by the responses provided by those interviewed.

Agency Information

1. ***How long has your agency been in the vacation rental business?***
Currituck County rental agency executive's responses ranged from two (2) to twenty-nine (29) years with an average of seventeen (17) years.

2. ***How many full time employees do you have in the rental business? How many part-time employees (housekeepers, maintenance, etc.)?***
Executives reported between nine (9) and seventy-five (75) full time employees and an average of one hundred-eight (108) part-time employees.

3. ***What are the biggest changes you have seen in the vacation rental business (inventory, clientele, costs, staffing, rates, etc.) since 2000?***
 - Increased customer demands/expectations (4)
 - Inventory of homes high end, larger and more elaborate, feature many amenities (3)
 - Internet marketing (3)
 - Increased inventory (2)
 - More home supply than demand
 - Lack of qualified staff
 - Owner income demand higher (service and maintenance)
 - Season relatively the same 14-16 week season
 - Building has stopped in last two years
 - More multi-family vacations
 - Increase in traffic throughout the Currituck County beach area

Currituck County Rental Inventory (Product and Ownership)

4. *How many rental units are in your 2007 Currituck rental program?*

The five (5) participating agency responses ranged from one hundred (100) to five hundred (500) rental units with an overall total of 1,327 rental units in the 2007 rental program.

How many rental units were in your 2000 Currituck rental program?

Responses ranged from none applicable to over three hundred (300). The overall total reported is six hundred sixty-eight (668) units.

5. *What percentage of your Currituck rentals was built since 2000?*

Four (4) agencies responded between 10% and 30%, one (1) property responded as none applicable. The average of respondents reporting rentals built since 2000 is 24.5% or approximately eight hundred (800) rental units.

6. *What is the average number of bedrooms per Currituck unit?*

The average response to this question was five (5.6) bedrooms.

7. *What percentage of your Currituck rental units join or drop out of the rental program annually?*

The respondents reported an average of **4.2%** of rental units joining or dropping out of the rental program annually.

What is the primary reason for changing?

- Unhappy with service/agency (2)
- Low rent
- No longer renting
- Asked to leave

8. *What percentage of your rental unit owners plan to retire in Currituck?*

Responses to this question ranged from unknown to 20%.

9. *What is the average age of the rental unit owner(s)?*

Respondents to this question reported an average age of rental unit owners at **51** years.

10. *What percentage of your rental units were purchased primarily as rental investment property?*

Respondents reported an average of **99.6%** of the rental units were purchased primarily as rental investment property.

11. What are the biggest concerns/issues for your rental owners?

- Income (5)
- Expense (4)
- Condition/wear and tear of rental home (2)
- Appreciation of their investment
- Selling house (many on market are not selling)

Rental Clientele

12. How far in advance is the typical unit booked/contracted?

Respondents reported that for the year 2007 units were booked between ten (10) and fifty-one (51) weeks in advance. Units were booked between eighteen (18) and thirty (30) weeks in advance for the year 2000.

13. What percentage of your rental clients are repeat 'annual renters'?

- 2007 50%
- 2000 49%

14. What is the demographic profile of your primary rental contact/decision maker?

- Female 57%
- Male 43%

Average age **42.2** years of age

15. What percentage of real estate purchases were once vacation renters?

Respondents to this questions estimated that more than three-fourths (78%) of real estate purchases once vacationed in the Currituck area.

16. Have you noted any trends in visitation in the past few years?

Please identify those in brief below:

- Visitor/guest booking at last minute (2)
- Last minute bargain hunters
- Visitor/guest asking for discount
- Consistent feeder markets
- Decrease in off season visitation
- Increase in frustration levels in visitors/guests – higher expectations
- Increased demand for higher end homes
- Visitor/guest needing more information before making a decision
- More multi-family groups

17. What is the primary feeder market(s) by month:

Respondents to this questions reported the top feeder markets for the months of May, June, July, and August were: Virginia, District of Columbia, and Ohio.

18. What percentage of your rentals fall into each category?

2 adults, no kids	0.8%	6-10 adults, 7+kids	30.2%
2 adults, 1-3 kids	14%	10-16 adults, 7+kids	11.2%
3-6 adults 3-7 kids	41%	Adults only house party	3.4%

Currituck vs. Regional Competition

19. What is the typical renter’s primary reason(s) for selecting Currituck over other regional beaches/destinations?

- Beautiful beaches (3)
- Low commercial-low high rise (2)
- Beaches are not crowded
- Larger, nicer homes
- Seclusion
- Quiet

20. What competitive advantages do other regional beach destinations have over Currituck in the vacation rental market?

- Less traffic/better traffic flow (3)
- Easier and better access (closer to home & better access) (2)
- More entertainment and restaurants
- More activities and attractions for visitors
- Teens visit other beaches
- Offer more teen and children activities
- Better commercial mix
- Better infrastructure

Marketing**21. How much do you spend annually for advertising and marketing?**

	High	Low	Average
Rental	\$130,000	\$20,000	\$68,000
Postage	\$115,000	\$7,000	\$41,000
Website	\$115,000	\$10,000	\$38,000
Internet Ads	\$405,000	\$12,000	\$100,600
Print Advertising	\$132,000	\$10,000	\$40,800
Travel Shows	\$10,000	\$0	\$2,000
Other	\$20,000	\$0	\$6,000
Total	\$810,000	\$85,000	\$296,000

Overall**22. Please share any suggests, information or data that will assist Currituck County in promoting the area for increased visitation:**

- Focus on potential growth in season (2)
- Advertise for June, July and August
- Get children's activities in area
- Need more attention to infrastructure
- Safety issues (lifeguards, more EMT services including ambulances)
- Get traffic off of the beach
- Better after storm cleanup
- Fix flooding problems