

2010

EXECUTIVE SUMMARY



STATE *of the* VACATION TIMESHARE INDUSTRY: *United States Study*

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Quality In Everything We Do

2010 EDITION

STATE of the VACATION TIMESHARE INDUSTRY: United States Study

This study is an estimate of key metrics that provide an overview of the vacation timeshare industry in the United States. It is not a comment on any individual company, whose performance may vary from the information included in this study.

EXECUTIVE SUMMARY

Industry Overview

There were 1,548 timeshare resorts in the United States in 2009, representing approximately 170,200 units for an average resort size of 110 units. Of these, six percent were studio units, 23 percent were one-bedrooms, 66 percent were two-bedrooms, and six percent were three-bedrooms or more. There were 7.2 million intervals owned.

Of those resorts that responded to the survey, 70 percent sell weekly intervals, 52 percent sell points based products. About 35 percent report selling biennials.

Industry Size

Measure	2009
Resorts	1,548
Units	170,232
Average resort size	110
Intervals owned	7.2 million

Geographic Overview

Florida, California and South Carolina remain as the three states that have the most resorts representing 39 percent of all U.S. timeshare resorts.

Performance by Geographic Region

Region	% of Resorts	Average Size	Total Sales Volume (\$B)	Sales Price per Interval	Average Occupancy	Average Maintenance Fees per Interval
Florida	23%	158	\$2.6	\$22,489	82.8%	\$784
California	8%	109	\$0.4	\$30,550	84.4%	\$711
S. Carolina	7%	113	\$0.4	\$21,880	81.2%	\$656
Mountain	18%	83	\$0.6	\$24,922	77.4%	\$639
Northeast	11%	77	\$0.4	\$19,850	72.9%	\$581
Pacific	9%	97	\$0.4	\$27,141	84.8%	\$704
South Central	9%	133	\$0.6	\$15,187	69.2%	\$518
Midwest	8%	107	\$0.7	\$19,415	76.7%	\$630
South Atlantic	8%	81	\$0.2	\$13,399	76.0%	\$499
Overall	100%	110	\$6.3	\$20,468	79.7%	\$674

Percent of 1,548 resorts — percentages may not add due to rounding. Note that the AIF database maintains data on the state in which the resort is located — that is why the percentage is of the full timeshare resort universe. Data in the other columns are for responding resorts.

Distribution by Resort Type

Type	What vacation experience does this resort offer?			Which one characteristic best describes this resort?
	Onsite	Nearby	Nearby and/or onsite	
Beach	42%	33%	50%	31%
Country/Lakes	22%	28%	36%	18%
Golf	25%	72%	77%	10%
Ski	7%	21%	22%	10%
Urban	3%	16%	16%	6%
Island	16%	10%	16%	6%
Rural/Coastal	21%	12%	22%	5%
Theme Park	6%	16%	18%	4%
Gaming	2%	14%	14%	3%
Desert	3%	7%	8%	1%
Other	—	—	—	5%

Percent of 382 respondents — percentages may not add due to rounding. For onsite and nearby, multiple responses were allowed.

Types of Resorts

The predominant resort category was a beach destination, reported by 31 percent of responding resorts. This was followed by country/lakes resorts (18 percent), and golf and ski resorts each at 10 percent.

Industry Health

The sales slump that began in 2008 deepened in 2009, owing to the overall economic environment. Several of the larger timeshare developers have intentionally slowed their sales efforts through increased credit score requirements and larger down payment requirements in the face of an overall tighter credit environment. Many have reduced the scope of their sales operations and focused their sales efforts more on existing owners. Year 2009 sales volume totaled \$6.3 billion, decreasing by 35 percent from 2008.

Performance Metrics 2009

Metric	2009
Total sales volume	\$6.3 billion
Number of timeshare intervals sold	306,188
Sales price per interval	\$20,468
Points equivalent	\$22,243
Weeks	\$18,999
Occupancy	79.7%
Average maintenance fee per interval	\$674

There were about 306,200 timeshare intervals sold at an average price of \$20,468. Though this average price is slightly higher than in 2008, it reflects a greater concentration of sales in the high end market. The average cost for weekly intervals was \$18,999 while for points-equivalents it was \$22,243.

The average maintenance fee charged per interval was \$674. The average was \$462 for studios, \$572 for one bedroom units, and \$777 for units with two or more bedrooms.

Average occupancy was 79.7 percent in 2009, down from 81.6 percent in 2008. By comparison, hotel occupancy was 54.7 percent in 2009 according to Smith Travel Research — down from 60.4 percent in 2008. Timeshare occupancy includes about 66 percent who were either owners or exchange guests and 14 percent who were renters and/or marketing guests.

Industry Outlook

This year's precipitous drop in sales volume returned industry sales back to 2003 levels. The drop in sales is equal to an annualized four percent decline for the period from 2004 to 2009. Compounded annual growth rates for sales price and average resort size in the same timeframe were five and three percent, respectively. Maintenance fees have grown by an average of nine percent annually since 2005.

Respondents expect little in the way of new construction. They anticipate building about 3,500 new units in 2010 and 2,900 in 2011 or beyond. Only three new resorts are planned for construction in 2010, with another 18 planned for 2011 and beyond.

This year, we also conducted interviews with key timeshare industry executives to provide some perspective on these results and an outlook for the near future. Some interesting themes emerged:

- The overall economy affected the lower 2009 sales volume because of liquidity issues and reduced sales efforts. Consumer credit sources diminished and down payments and use of FICO scores for qualification increased. Developers reduced sales and marketing efforts to improve profitability by focusing on existing customers.
- There has been an increase in available inventory caused by mortgage and maintenance fee related defaults. All interviewed respondents expressed doubt that there would be much new construction in the coming months and years given this inventory increase.
- One approach increasing in popularity is “fee for service” arrangements. Respondents generally expressed optimism about this model as a way to reduce inventory and enhance liquidity while reducing risk. Some expressed concerns over differences in the “quality of sales” that will occur when this risk is reduced. The arrangements need to be structured so that it is a win for the resort, the developer and the consumer.
- In general, there was some cautious optimism that the worst may be behind the industry. Interviewees identified key components in aiding the turnaround as:
 - Attracting lenders to the industry,
 - Drawing new owners into the market,
 - Maintaining sales price levels, and
 - Continuing to inform and educate the public about the timeshare product.

Methodology

Ernst & Young conducted a survey of 1,548 recognized timeshare resorts to provide an overview of the state of the timeshare industry in the United States. Responses were received from 646 resorts, representing a 42 percent response rate.



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