Economic Impact

2020

OF THE TIMESHARE INDUSTRY ON THE U.S. ECONOMY

EXECUTIVE SUMMARY

2020 EDITION
PREPARED BY EY

AIF
Market Intelligence | Career Advancement

Economic Impact of the Timeshare Industry

ON THE U.S. ECONOMY **2020 EDITION**

EXECUTIVE SUMMARY

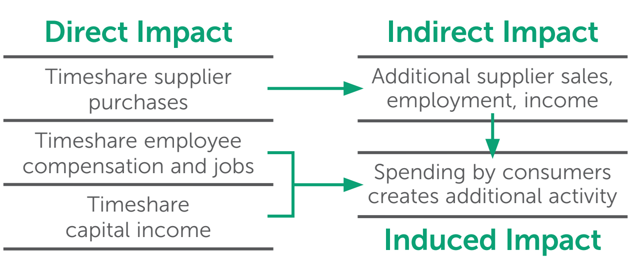
Introduction

The impact of the timeshare industry on the U.S. economy extends beyond the timeshare resorts with which customers are most familiar. The total economic contribution of the industry also includes the economic impacts of sales and marketing offices, corporate operations, the construction of new resorts and the renovation of existing resorts, and the significant impact of expenditures of vacationers during timeshare stays. This study estimates the comprehensive private- and public-sector benefits generated by the timeshare industry.

In addition to private-sector benefits, including jobs and income, the significant tax contributions of the industry are a source of revenue for federal, state, and local governments. The estimates described below show that the timeshare industry produces significant amounts of individual income tax and employment tax at the federal level, and contributes significantly to property tax, sales tax, and occupancy tax revenue for state and local governments in the states in which timeshare resorts are located.

The following results highlight the key economic and fiscal (tax) contributions of the timeshare industry. The results are summarized in terms of direct and indirect economic and fiscal impacts and presented for resort operations, sales and marketing, corporate operations, consumer spending, and construction. The direct impacts are generated through spending by the timeshare industry and its employees. The indirect impacts are from increased activity among suppliers and higher spending by employees due to increased incomes.

OVERVIEW OF THE TIMESHARE INDUSTRY OPERATIONS' ECONOMIC IMPACT



Total Impact

In total, the U.S. timeshare industry generated approximately $97.4 billion of economic output, 612,225 full- and part-time jobs, $37.0 billion in income and $12.7 billion in total taxes in 2019.

ECONOMIC CONTRIBUTIONS OF THE TIMESHARE INDUSTRY, 2019

Billions of dollars; Number of part- and full-time jobs

Impact	Direct	Indirect & Induced	2019 Total
Employment	293,386	318,839	612,225
Labor Income	$18.0	$19.1	$37.0
Output	$38.7	$58.8	$97.4
Taxes	$7.1	$5.6	$12.7

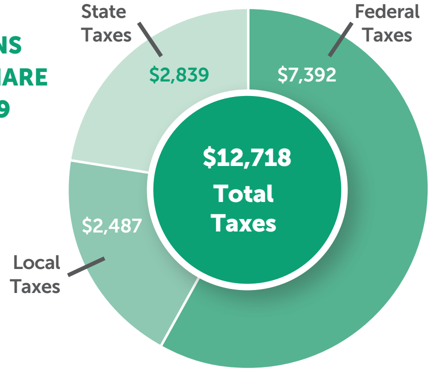
Note: Includes economic contributions related to resort operations, corporate office operations, sales office operations, consumer expenditures, and capital expenditures in 2019.

Source: *2020 U.S. State of the Vacation Timeshare Industry and Economic Impact Survey* and EY analysis using the IMPLAN input-output model.

- **Employment:** The timeshare industry directly supported employment of 293,386 people in 2019. This direct employment supported indirect employment at supplier and other businesses resulting in 318,839 additional jobs. Combining direct and indirect employment, the total employment contribution of the timeshare industry is estimated to be 612,225 jobs. For each direct job, an additional 1.1 jobs are supported in other industries due to the U.S. timeshare industry.
- **Labor Income:** The total income contribution of the timeshare industry is estimated to be $37.0 billion in 2019, including an estimated direct income impact of $18.0 billion and an indirect impact of $19.1 billion. Labor income includes employee compensation (wages plus benefits) and income to proprietors. The total impact of the U.S. timeshare industry on labor income was $1.06 for each dollar of direct income.
- **Economic Output:** The timeshare industry's direct impact on economic output (measured by revenues) was $38.7 billion in 2019, while indirect and induced output supported by the timeshare industry was $58.8 billion, resulting in a total economic output contribution of $97.4 billion. The total impact on U.S. economic output is $2.52 for each dollar of direct output.
- **Taxes:** The timeshare industry generated almost $12.7 billion in total taxes — $7.4 billion in federal taxes, $2.8 billion in state taxes, and $2.5 billion in local taxes. The timeshare industry contributed to the U.S. economy through property taxes, sales taxes, occupancy taxes, excise taxes, license taxes, income taxes, employment tax and other taxes.

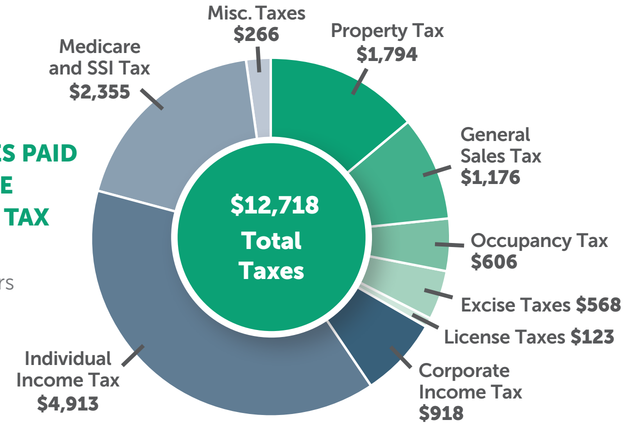
TOTAL TAX CONTRIBUTIONS OF THE TIMESHARE INDUSTRY, 2019

Millions of dollars



TAX REVENUES PAID BY TIMESHARE INDUSTRY BY TAX TYPE, 2019

Millions of dollars



Note: Includes estimated direct, indirect, and induced taxes paid as a result of the U.S. timeshare industry in 2019.

Source: *2020 U.S. State of the Vacation Timeshare Industry* and *Economic Impact Survey*, IRS Income Statistics, BEA, and EY analysis using the IMPLAN input-output model.

Given the current economic and COVID-19 related conditions as of the publication of this report, the economic contribution of the timeshare industry for 2020 will contract as compared with the results presented in this report. However, special characteristics of the timeshare industry place it in a different position to maintain its activity than other components of the hospitality industry. These characteristics include the prepaid nature of ownership which makes it more likely for owners to travel and consistent revenue streams for resort operations provided by annual maintenance fees paid by all owners. A reduction in timeshare vacations will likely lead to around a 40% drop in consumer expenditures in 2020 as some expenditures, such as airfare, completely ceased for a few months in the spring and are likely to rebound more slowly. Employment in the U.S. accommodations industry declined 42% between January and April and has only partially rebounded since. Looking at employment supported by all drivers of economic impact of the timeshare industry — resort operations (funded largely by maintenance fees), sales and marketing, corporate functions, off-site vacation expenditures and capital expenditures — we would expect the decline in the industry to be less than the overall hospitality industry and likely closer to a 30% decline in employment between 2019 and 2020.

Timeshare Vacation Spending

Spending by timeshare owners and guests during timeshare stays was estimated at $11.29 billion in 2019. Approximately $2.96 billion was spent on-site at resorts, while $8.33 billion was spent off-site in the communities where the timeshare resorts are located. On average, each traveling party spent $3,563 per vacation. Based on an average travel party size of 3.7 people, the average total spending per person is $963. Only the offsite expenditures are included in the estimates of the economic impact of vacation expenditures because spending by timeshare owners and visitors at timeshare resorts on-site is captured separately in the impact of timeshare resort operations.

DETAILED VACATION EXPENDITURE SPENDING DATA[1]

	Average per Party			
Vacation Spending Data	On-site Spending	Off-site Spending	Total Spending	Total Off-site Spending ($ billion)
Air Transportation Services	—	$674	$674	$2.45
Entertainment and Recreation	$163	$180	$343	$0.66
Hotels and Motel Services	$459[2]	$314	$773	$1.14
Restaurants & Bars	$147	$164	$311	$0.59
Clothing and Clothing Accessories	$133	$166	$298	$0.60
Groceries	$123	$128	$251	$0.46
Ground Transit	—	$55	$55	$0.20
Gasoline Stations	—	$133	$133	$0.48
Miscellaneous	$39	$46	$85	$0.17
Rental Cars	—	$180	$180	$0.66
Theme Parks & Museums	$89	$110	$198	$0.40
Fitness & Sports	$121	$139	$260	$0.51
Total	**$1,274**	**$2,289**	**$3,563**	**$8.33**
Average Spending Per Person[3]	**$344**	**$619**	**$963**	

1 Does not include gambling wins and losses.

2 Hotel and motel on-site expenditures are captured by the *2020 U.S. State of the Vacation Timeshare Industry* and *Economic Impact Survey* as rental revenue and are not included in "on-site spending" referenced throughout the text.

3 Average travel party size is 3.7 people.

Source: *2020 Shared Vacation Ownership Owners Survey*, prepared by Leger for AIF.

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1201 15th Street NW, Suite 400
Washington, DC 20005
(202) 371-6700
(202) 289-8544 fax

State Government Affairs Office
Landmark Center Two
225 E. Robinson Street, Suite 545
Orlando, FL 32801
(407) 245-7601
(407) 872-0771 fax

DETAILED ECONOMIC IMPACTS OF THE TIMESHARE INDUSTRY, BY FUNCTION, 2019

Billions of dollars; number of part- and full-time jobs

Output	Direct	Indirect & Induced	Total
Industry Operations	$30.6	$46.9	$77.5
Resorts	$15.1	$21.1	$36.2
Corporate	$8.3	$13.9	$22.2
Sales and Marketing	$7.1	$11.9	$19.0
Vacation Expenditures	$7.1	$10.0	$17.1
Capital Expenditures	$1.0	$1.9	$2.9
Total	**$38.7**	**$58.8**	**$97.4**

Employment	Direct	Indirect & Induced	Total
Industry Operations	224,998	256,748	481,746
Resorts	117,037	116,773	233,810
Corporate	51,181	73,298	124,479
Sales and Marketing	56,780	66,677	123,457
Vacation Expenditures	61,807	52,631	114,438
Capital Expenditures	6,581	9,460	16,041
Total	**293,386**	**318,839**	**612,225**

Labor Income	Direct	Indirect & Induced	Total
Industry Operations	$14.9	$15.4	$30.2
Resorts	$6.2	$7.2	$13.4
Corporate	$4.4	$4.5	$8.9
Sales and Marketing	$4.3	$3.6	$7.9
Vacation Expenditures	$2.6	$3.1	$5.8
Capital Expenditures	$0.4	$0.6	$1.0
Total	**$18.0**	**$19.1**	**$37.0**

Note: Labor income includes employee compensation and proprietor income.

Source: *2020 U.S. State of the Vacation Timeshare Industry* and *Economic Impact Survey* and EY analysis using the IMPLAN input-output model.

Methodology

Ernst & Young's detailed analysis of economic impacts, and the success of the study overall, was made possible by the active cooperation of timeshare enterprises, resorts, exchange companies, and a sample of the timeshare travelers in U.S. during 2019. The response base included 845 of the 1,582 timeshare resorts identified in the U.S. and survey responses from 1,600 U.S. households. Ernst & Young analyzed the detailed survey information in a customized economic impact model to quantify the industry's economic contribution.