State of the Vacation Timeshare Industry 2016

UNITED STATES STUDY

EXECUTIVE SUMMARY

2016 EDITION
PREPARED BY EY

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Market Intelligence | Career Advancement

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EXECUTIVE SUMMARY

Industry Overview

The 2015 U.S. timeshare industry consisted of 1,547 timeshare resorts with approximately 200,720 timeshare units — an average of 130 units per resort. Resorts sell each of these timeshare units to consumers in parts or ownership pieces corresponding to varying amounts of time. Typically these parts are either weekly intervals (7 nights worth of vacation time) or points. Points represent a currency for the use of units in nightly or weekly increments — respondents converted their points into weekly equivalent intervals for this study. As of December 31, 2015 there were approximately 9.2 million timeshare weekly intervals or equivalents owned in the United States.

INDUSTRY SIZE

	2015
Resorts	1,547
Units	200,720
Average Resort Size	130 units
Intervals owned	9.2 million
Total units – including lockoffs	277,210

Industry Health

The U.S. timeshare industry enjoyed strong growth in 2015. In particular, sales volume[1] increased by nearly 9% from $7.9 billion in 2014 to $8.6 billion in 2015 — this is the 2nd largest increase, percentagewise, since the recession. Operating performance metrics for the industry were also encouraging in 2015. Average occupancy rose to nearly 80% — by comparison, hotel occupancy was 65.6%[2] in 2015, according to Smith Travel Research. The weighted average maintenance fee charged per weekly interval was $920, up by approximately 5% from 2014's $880 per interval. At the same time, maintenance fee delinquencies increased to approximately 8.8% in 2015. Rental revenue decreased by approximately 5%, falling from $1.9 billion in 2014 to $1.8 billion in 2015.

Respondents reported building 619 units in 2015, down from the 1,312 they built in 2014. However, there is an increase in planned construction for the coming years. Respondents plan to add 2,115 units in 2016 — up 54% from the 1,374 planned at this time last year. Note that this includes units at existing resorts and units at planned new resorts. In addition, respondents plan to add 2,397 units in 2017 and beyond — up 13% from the 2,121 planned at this time last year. Finally, respondents report plans for 11 new resorts in 2016 and 9 in 2017 and beyond, compared to plans for 9 total at this time last year.

KEY TIMESHARE INDUSTRY METRICS 2014 AND 2015

GROWTH	2014	2015	Percent change
Sales volume ($B)	$7.9	$8.6	9%
Rental revenue ($B)	$1.9	$1.8	-5%
PERFORMANCE			
Occupancy	78.3%	79.9%	2%
Average maintenance fees	$880	$920	5%
Maintenance fee delinquencies	8.2%	8.8%	7%
OUTLOOK			
Units built	1,312	619	-53%
Units planned – in the coming year	1,374	2,115	54%
Units planned – more than one year out	2,121	2,397	13%
Resorts planned – in the coming year	3	11	267%
Resorts planned – more than one year out	6	9	50%

Numbers may not add due to rounding

2015 SALES PRICE METRICS

Growth	2015
Average sales price	$22,240
Number of intervals or equivalents sold	389,010
Number of timeshare transactions	411,880
Sales price per transaction	$21,000

There were approximately 389,010 intervals sold in 2015 at an average price of $22,240. For the first time in this study, we asked respondents to report their total number of timeshare transactions and used that to calculate an average transaction price. In recent years, the increased transition to points based products has made the traditional timeshare week less meaningful to data providers and users of research alike. There were approximately 411,880 timeshare transactions in 2015 at an average price per transaction of $21,000. Note that the ratio of weekly intervals sold to the number of transactions is 0.94 — that is the typical transaction is the equivalent of just under one "week" of time. It may be interesting to track how this metric changes over time in response to the manner in which consumers are purchasing timeshare products.

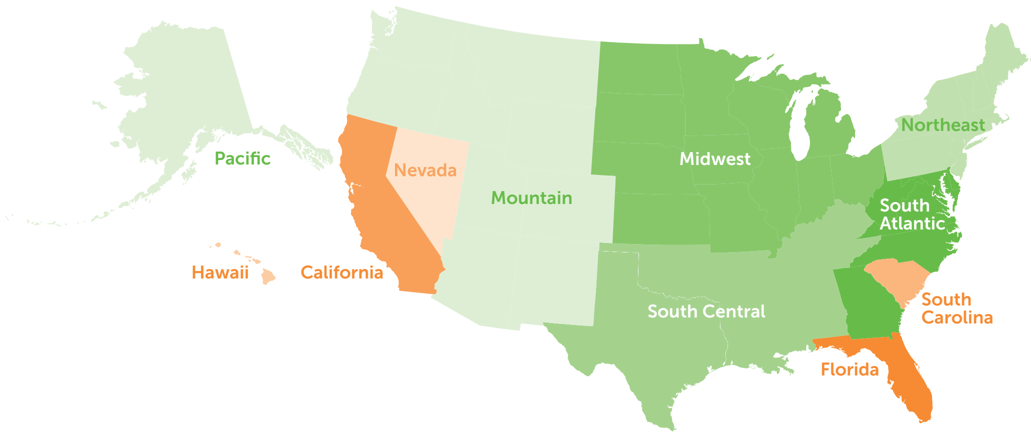
1 All sales discussed in the report are first generation or developer sales, unless otherwise noted.

2 *STR Monthly Hotel Review: December 2015,* Smith Travel Research.

This year's study reflects a change in the way we asked respondents to report their number of intervals sold and corresponding average sales price. In the past, we asked respondents to report this information at the resort level. Because of shifts in the industry, this manner of reporting has become more difficult for respondents, as the increased use of points-based products has made tying sales to a particular resort more difficult. For this reason, we simplified our survey questionnaire for multi-site respondents so that they reported the number of intervals sold across their portfolio of resorts. This change increased the response rate for this question — the corresponding shift in the respondent pool makes comparisons to last year's results problematic. However, we did compare the number of intervals sold and average sales price for respondents who answered these questions in both 2014 and 2015. For these data providers, the number of intervals sold increased by 6% in 2015 and the average sales price increased by 2%.

Industry Segments

Having a general picture of the overall industry's size and health, the next step is to segment the resorts by important characteristics. These include resort size, sales activity, resort type, and geographic region. For each of these segments, the report presents four important industry measures: percent of resorts, average resort size, occupancy, and maintenance fees. The following observations emerged:



PERFORMANCE BY GEOGRAPHIC REGION

Region	% of resorts	Average size (# units)	Average occupancy	Average maintenance fees per interval
Florida	24%	160	86.4%	$940
California	8%	125	83.2%	$840
S. Carolina	7%	130	81.5%	$850
Hawaii	5%	175	86.7%	$1,230
Nevada	4%	230	83.1%	$780
Mountain/Pacific	16%	85	80.0%	$810
Northeast	11%	100	66.1%	$690
South Atlantic	9%	100	73.6%	$740
South Central	8%	105	75.1%	$720
Midwest	8%	100	74.6%	$690
Overall	**100%**	**130**	**79.9%**	**$920**

Percent of 1,547 resorts – numbers may not add due to rounding

- Maintenance fees and occupancy both increased with resort size in 2015 — this likely reflects the fact that larger resorts tend to be newer and have more amenities.
- The average number of units, average billed maintenance fee and average occupancy are all lower for sold-out resorts. Active sales resorts tend to be newer and resorts have gotten larger over time. Newer resorts also tend to have more amenities and correspondingly higher maintenance fees.
- Theme park resorts tend to be the largest and have the highest occupancy; ski resorts tend to be the smallest and have the lowest occupancy, perhaps owing to seasonality. Island resorts had the highest average maintenance fees, and country/lakes resorts had the lowest.
- Florida has the most resorts, while Hawaii has the highest average occupancy and maintenance fees. Nevada has the largest resorts and the Mountain/Pacific region has the smallest. The Northeast has the lowest occupancy and the lowest average maintenance fees.

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Methodology

Ernst & Young conducted a survey of 1,547 recognized timeshare resorts to provide an overview of the state of the timeshare industry in the U.S.. Responses were received from 661 resorts, representing a 43% response rate. This survey was commissioned by the ARDA International Foundation (AIF).

MEMBER $25 | NON-MEMBER $50