State of the Vacation Timeshare Industry 2017

UNITED STATES STUDY

EXECUTIVE SUMMARY

2017 EDITION
PREPARED BY EY

AIF
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EXECUTIVE SUMMARY

Industry Overview

The 2016 U.S. timeshare industry consisted of 1,558 timeshare resorts with approximately 206,080 timeshare units – an average of 132 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 (seven 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 interval equivalents for this study. As of December 31, 2016, there were approximately 9.5 million timeshare weekly intervals or equivalents owned in the United States.

INDUSTRY SIZE

Measure	2016
Resorts	1,558
Units	206,080
Average resort size	132 units
Intervals or equivalents owned	9.5 million
Total units — including lock-offs	278,540

Industry Health

The U.S. timeshare industry enjoyed strong growth in 2016. Sales volume[1] increased for the seventh straight year — by nearly 7% from $8.6 billion in 2015 to $9.2 billion in 2016. Rental revenue also increased, rising 5% from $1.8 billion in 2015 to $1.9 billion in 2016, as the average daily rental price increased from $172 to $189.

Operating performance metrics for the industry were also encouraging in 2016. Average occupancy was nearly 79% — by comparison, hotel occupancy was 65.5%[2] in 2016, according to Smith Travel Research. The weighted average maintenance fee charged per weekly interval was $970, up by approximately 5% from $920 per interval in 2015. Among respondents who have multiple resorts and reported results in both years, the average maintenance fee billed per intervals rose 5%, from $962 in 2015 to $1,007 in 2016.

Respondents also reported the number of timeshare units "recently built and planned at this resort." Note that "planned" resorts and units include those for which the corporate finance committee has given its approval and/or financing has been secured and approved by the appropriate entity. Respondents reported building 765 units in 2016 and plan to add 2,312 units in 2017 — this includes 1,446 units at existing resorts and 866 units at planned new resorts. Respondents[3] also plan to add 1,780 units in 2018 and beyond. Finally, respondents report plans for 24 new resorts — seven in 2017 and 17 in 2018 and beyond.

KEY TIMESHARE INDUSTRY METRICS 2016

GROWTH / PERFORMANCE	2016
Sales volume ($B)	$9.2
Rental revenue ($B)	$1.9
Occupancy	78.9%
Average maintenance fees	$970
OUTLOOK	
Units built	765
Units planned – in the coming year	2,312
Units planned – more than one year out	1,780
Resorts planned – in the coming year	7
Resorts planned - more than one year out	17

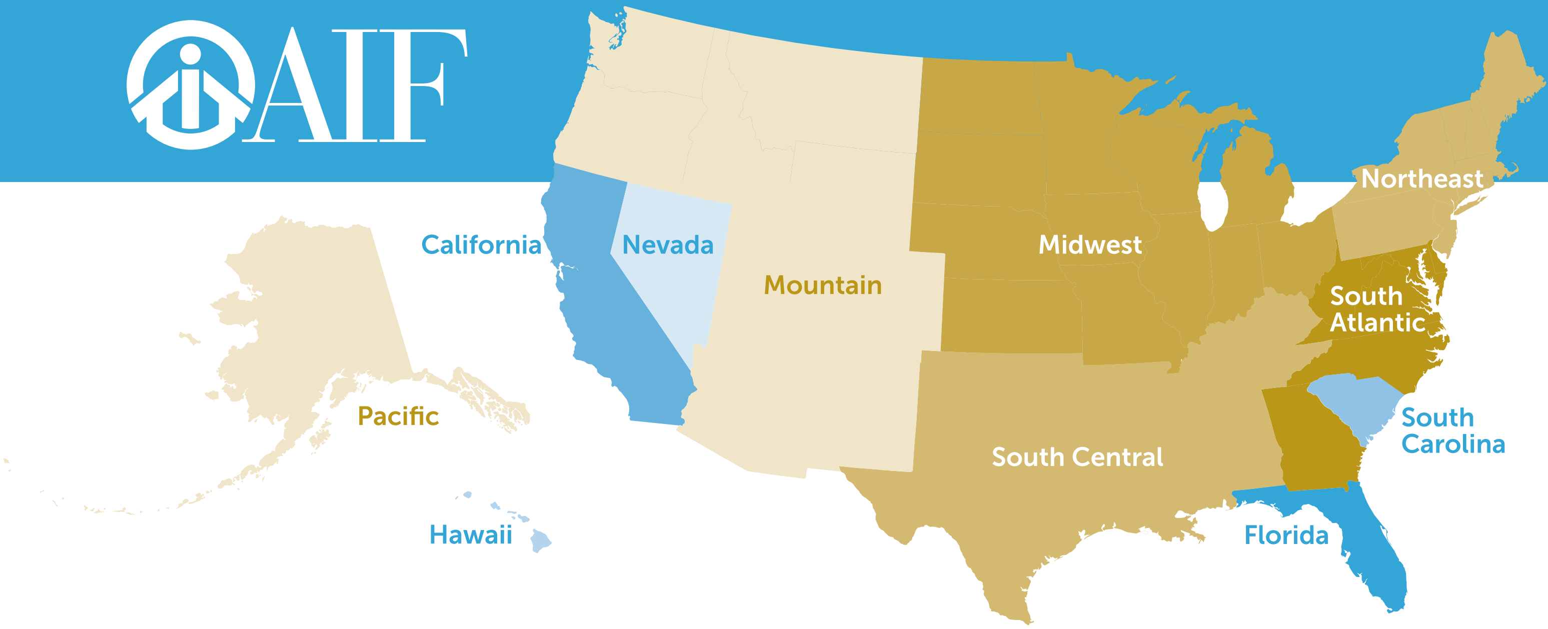
Numbers may not add due to rounding

2016 SALES PRICE METRICS

	2016
Number of intervals or equivalents sold	440,720
Average sales price	$20,940
Number of timeshare transactions	528,080
Sales price per transaction	$17,470

There were approximately 440,720 intervals sold in 2016 at an average price of $20,940. Respondents also reported their total number of timeshare transactions which we used to calculate sales price per transaction. 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 528,080 timeshare transactions in 2016 at an average price per transaction of $17,470. Dividing the 440,720 weekly interval equivalents sold by the 528,080 timeshare transactions yields a ratio of 0.83. Multiplying this ratio by seven indicates that the average timeshare transaction was for approximately six nights worth of time.

1 All sales discussed in the report are first generation or developer sales, unless otherwise noted.
2 *STR Monthly Hotel Review: December 2016,* Smith Travel Research
3 Based on responses from 14 timeshare developers and/or single site resorts



Resort managers and developers are also modernizing the way they operate and manage timeshare properties. For example, 35% of resorts reported offering a mobile application to resort owners, up from 12% last year. Note that this increase is largely attributable to a handful of large developers who have recently adopted a mobile app. The most common features on such apps are facilitating mobile payments, accessing a virtual tour and accommodating check-in. Most resorts are also taking advantage of outlets such as VRBO (85% of respondents) and Airbnb (83% of respondents) to manage their inventory. Furthermore, 52% of resorts report using social media to help publicize timeshare rentals – up from 40% in 2015.

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.

PERFORMANCE BY GEOGRAPHIC REGION

Region	% of resorts	Average size (# units)	Average occupancy	Average maintenance fees per interval
Florida	24%	169	81.7%	$970
California	8%	133	83.2%	$890
South Carolina	7%	143	82.7%	$1,010
Hawaii	6%	161	88.7%	$1,230
Nevada	4%	230	83.6%	$960
Mountain/Pacific	16%	73	76.9%	$890
Northeast	11%	101	64.6%	$730
South Atlantic	8%	100	69.1%	$830
South Central	8%	141	70.1%	$740
Midwest	8%	110	66.9%	$750
Overall	**100%**	**132**	**78.9%**	**$970**

Percent of 1,558 resorts - numbers may not add due to rounding

The following observations emerged:

- Maintenance fees increased with resort size in 2016 — 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, as we show in the next chapter. Newer resorts also tend to have more amenities and correspondingly higher maintenance fees.
- Theme park resorts tend to be the largest, while island resorts have the highest average occupancy and maintenance fees; mountain resorts tend to be the smallest and have the lowest average maintenance fees, while country/lakes resorts have the lowest average occupancy.
- Florida has the most resorts, while Hawaii has the highest average occupancy and maintenance fees. Nevada has the largest resorts and the Mountain/Pacific has the smallest. The Northeast has the lowest occupancy and the lowest average maintenance fees.

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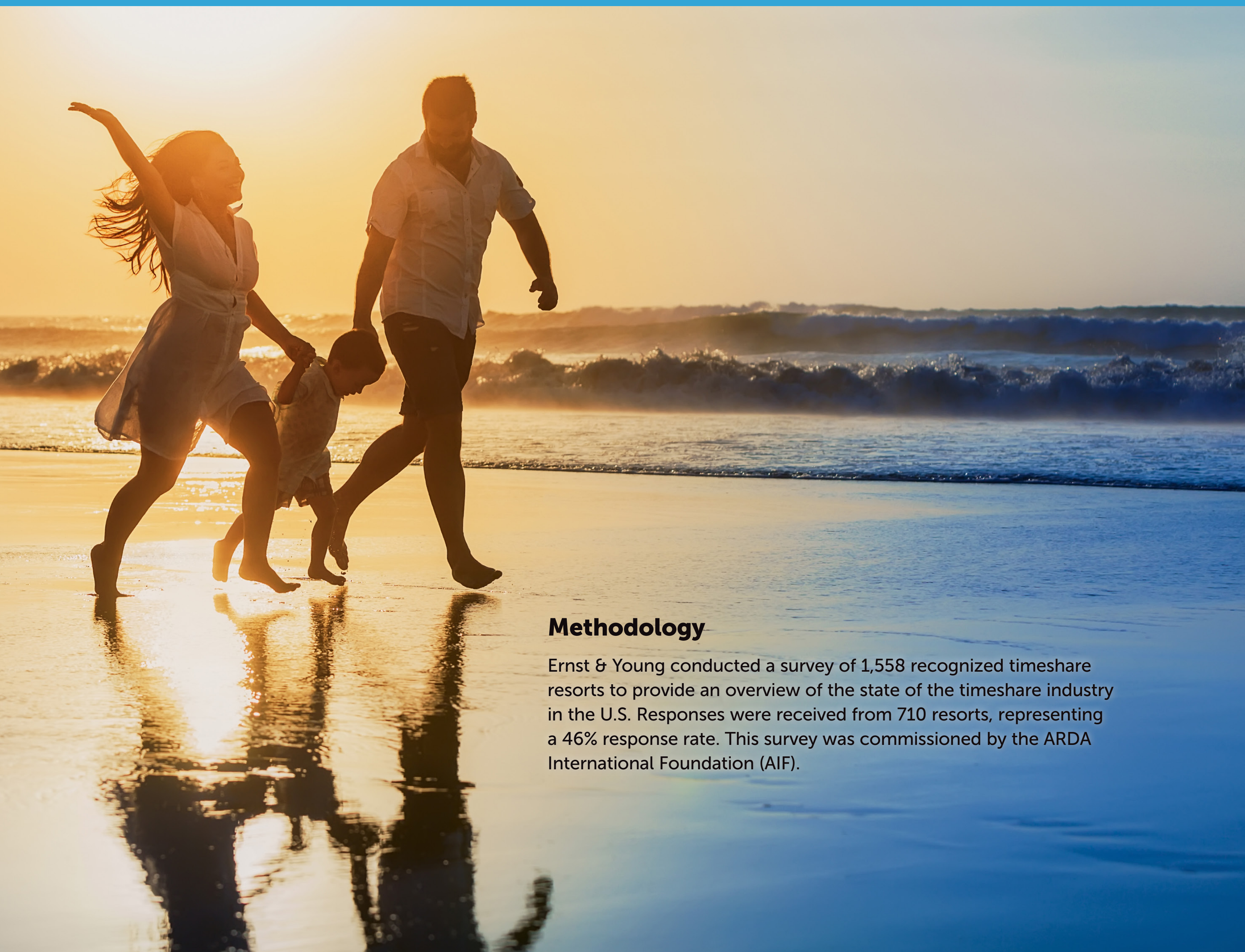

Methodology

Ernst & Young conducted a survey of 1,558 recognized timeshare resorts to provide an overview of the state of the timeshare industry in the U.S. Responses were received from 710 resorts, representing a 46% response rate. This survey was commissioned by the ARDA International Foundation (AIF).

MEMBER $25 | NON-MEMBER $50