# Pulse Survey

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A SURVEY OF TIMESHARE AND VACATION OWNERSHIP RESORT COMPANIES

# 2019 Q2YTD

PREPARED BY

Deloitte.

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To the Research Committee of
ARDA International Foundation
1201 15th Street NW, Suite 400
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Dear Members of the Committee:

Deloitte & Touche LLP (Deloitte & Touche) is pleased to submit the results of the *2019 Second Quarter Year-to-Date Pulse Survey: A Survey of Timeshare & Vacation Ownership Resort Companies.* Our services were performed and this report was developed in accordance with our engagement letter dated March 27, 2019, and are subject to the terms and conditions included therein.

Our services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we are providing no opinion, attestation, or other form of assurance with respect to our work and we did not verify or audit any information provided to us.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available by the survey respondents through August 15, 2019. Accordingly, changes in circumstances after that date could affect the findings outlined in this report.

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Deloitte & Touche LLP

September 5, 2019

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## 2019 Second Quarter Year-to-Date Pulse Survey Overview and Key Findings

This survey is a summary of selected 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. To provide current information on the financial performance of the vacation timeshare industry, ARDA International Foundation engaged Deloitte & Touche LLP (Deloitte & Touche) to conduct the second quarter year-to-date 2019 survey of U.S. timeshare companies that were in active sales during the first half of the year. Going forward, the Pulse Survey has been updated from being a quarterly survey to a semiannual survey. The results herein include data from the time period of January 2019 to June 2019. The results cover a total of 16 responding companies with aggregate net originated sales of approximately $3,358 million at June 30, 2019 for the 16 respondents that provided sales information. The financial information contained in this survey includes June 30, 2019 YTD (Q2 2019 - YTD) compared to June 30, 2018 (Q2 2018 - YTD), except for section 2(B) which compares data as of June 30, 2019 to data as of December 31, 2018 (Q4 2018). The trends associated with the performance indicators were developed based on quantitative factors. For example, each indicator that had a change of 10 percent or greater was denoted with a double green arrow or double red arrow. Indicators for which the change was less than 10 percent were denoted with a single green arrow or single red arrow.

| Key Performance Indicators | Trend |
|---|---|
| **Sales Performance** | |
| **Net Originated Timeshare Sales (net of sales incentives and rescissions) including Telesales** increased 4.5 percent from Q2 2018 - YTD to Q2 2019 - YTD, increasing from $3,213.7 million to $3,357.6 million. | Increase |
| **Net Originated Timeshare Sales (including Telesales and Fee-for-service, excluding Rescissions and Fee-for-Service sold by others)** increased 3.6 percent from Q2 2018 - YTD to Q2 2019 - YTD, increasing from $3,690.6 million to $3,822.9 million. | Increase |
| **Sales Metrics** | |
| **Weighted Average Transaction Value** increased 0.5 percent from $21,144 in Q2 2018 - YTD to $21,249 in Q2 2019 - YTD. (The simple average transaction value increased 1.0 percent from $19,690 in Q2 2018 to $19,884 in Q2 2019.) | Increase |
| **Weighted Average Volume Per Guest (VPG)** decreased 0.8 percent from $2,933 to $2,908 from Q2 2018 - YTD to Q2 2019 - YTD. (The simple average VPG decreased 0.4 percent from $2,803 in Q2 2018 - YTD to $2,793 in Q2 2019 - YTD.) | Decrease |
| **Tours** increased 2.9 percent from 1,248,874 to 1,285,143 tours from Q2 2018 - YTD to Q2 2019 - YTD. | Increase |
| **Portfolio Performance** | |
| **Currency** decreased by 1.4 percentage points (or 1.5 percent), decreasing from 90.8 percent in Q2 2018 - YTD to 89.4 percent in Q2 2019 - YTD. | Decrease |

| | |
|---|---|
| **Delinquencies** increased by 1.4 percentage points (or 15.2 percent), increasing from 9.2 percent in Q2 2018 - YTD to 10.6 percent in Q2 2019 - YTD. | Increase |
| **Charge-Offs** increased by 2.2 percentage point (or 43.1 percent), increasing from 5.1 percent in Q2 2018 - YTD to 7.3 percent in Q2 2019 - YTD. | Increase |
| **Consumer Finance Experience** | |
| **Interest Rates** increased by 0.4 percentage points (or 2.9 percent), increasing from 13.7 percent to 14.1 percent from Q2 2018 - YTD to Q2 2019 - YTD. | Increase |
| **Weighted Average Term** increased by 1.6 percent, increasing from 120.1 months to 122.0 months from Q2 2018 - YTD to Q2 2019 - YTD. | Increase |
| **Down Payments on non-upgrade sales** increased 0.5 percentage points (or 2.9 percent), from 17.3 percent in Q2 2018 - YTD to 17.8 percent in Q2 2019 - YTD. | Increase |
| **Down Payments on upgrade sales** increased 4.2 percentage points (or 10.3 percent), increasing from 40.9 percent in Q2 2018 - YTD to 45.1 percent in Q2 2019 - YTD. | Increase |
| **Other Metrics** | |
| **Weighted Average Occupancy** decreased 0.4 percentage points (or 0.5 percent), decreasing from 78.2 percent in Q2 2018 - YTD to 77.8 percent in Q2 2019 - YTD. | Decrease |
| **Capital Expenditures** increased 11.5 percent from Q2 2018 - YTD to Q2 2019 - YTD, increasing from $419.1 million to $467.4 million. | Increase |

## Survey Results

The following summarizes the survey results.

### 1. Timeshare sales volume increased in Q2 2019 - YTD.

Companies provided data on a set of key sales indicators. In total, the 16 respondents that provided sales information reported approximately $3,357.6 million in net originated timeshare sales[1] (including telesales) in Q2 2019 - YTD. This was a 4.5 percent increase in Q2 2019 - YTD when compared to Q2 2018 - YTD, as reported by the same respondents.

**Figure 1. Net originated sales including telesales (Millions)**


Source: Deloitte & Touche based on 16 company survey responses.

Fee-for-service arrangements have become an established feature within the industry over the last decade. Respondents were asked a question related to sales for non-owned timeshare inventory sold under fee-for-service agreements as well as sales for owned timeshare inventory sold by others under fee-for-service agreements. Of the 17 companies, four are selling and marketing timeshare on behalf of other developers. One company is engaging others to sell and market timeshare on their behalf. Two respondents providing fee-for-service increased fee-for-service operations in Q2 2019 - YTD compared to Q2 2018 - YTD and two respondents decreased fee-for-service operations. The respondent being provided fee-for-service increased fee-for-service operations for the same period. The net overall timeshare sales under these arrangements decreased from $481.3 million in Q2 2018 - YTD to $470.4 million in Q2 2019 - YTD, or a decrease of 2.3 percent. When sales of timeshare under fee-for-service arrangements are combined with respondents' sales of their own timeshare inventory, there was an increase of 3.6 percent in total net originated timeshare sales when compared to Q2 2018 - YTD.

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[1] Net originated sales refers to gross sales revenues net of incentives and rescissions, but before reduction of revenue for uncollectible accounts.

**Figure 2. Net originated sales (including sales under fee-for-service arrangements) (Millions)**


Source: Deloitte & Touche based on 16 company survey responses for net originated sales and 4 respondents reported providing fee-for-service arrangements, and 1 respondent reported being provided fee-for-service arrangements.

Respondents were asked to report the amount of net originated sales (including telesales) that were non existing owner and existing owner sales. The 15 respondent companies that provided new owner sales information reported approximately $1,400.2 million in new owner net originated timeshare sales (including telesales) in Q2 2019 - YTD, which is a 4.5 percent increase from Q2 2018 - YTD, see *Figure 3* below. The 15 respondent companies that provided existing owner sales information reported approximately $1,685.6 million in existing owner net originated timeshare sales (including telesales) in Q2 2019 - YTD, which is a 6.2 percent increase from Q2 2018 - YTD, see *Figure 4* below. Note that the sum of the total new owner sales and existing owner sales differs from the total net originated sales due to the fact that one of the 16 respondents that provided net originated sales did not provide information related to new owner and existing owner sales.

**Figure 3. Net originated sales (including telesales) – New Owner (Millions)**


Source: Deloitte & Touche based on 15 company survey responses.

**Figure 4. Net originated sales (including telesales) – Existing Owner (Millions)**


Source: Deloitte & Touche based on 15 company survey responses.

Sixteen companies reported net originated sales excluding telesales, detailed information on the number of tours, and the number of sales transactions. The companies reported that the aggregate number of tours[2] increased 2.9 percent, the aggregate number of sales transactions increased 1.5

[2] This represents the number of tours taken by guests in the company's efforts to sell timeshares, including all tours of sales prospects, whether they occur on-site or at an off-site sales center.

percent, and the weighted average transaction value increased 0.5 percent. The respondents reported a decrease in net inventory sold under fee-for-service arrangements of 2.3 percent.

Average transaction value is calculated as the dollar value of net originated sales divided by the number of sales transactions and excludes amounts such as closing costs that are not included in net originated sales. Responses are weighted by the dollar value of net originated sales (excluding telesales). It is a measure of the average purchase amount per buyer during a given period and is potentially influenced by numerous factors, including the mix of timeshare products sold. For example, in a given period, buyers may purchase a greater mix of one-bedroom units or biennials[3], resorts may have fewer high season intervals available or new resorts may open for sales. As a result, the average transaction value may change even though there were no changes to existing pricing.

As a further reflection of the multiple factors that can impact this measure, the responses differed by company. Ten respondents reported average transaction value had increased from Q2 2018 - YTD and six respondents reported the value had decreased. *Figure 5* below illustrates the average transaction value calculated using a weighted average.

**Figure 5. Weighted average transaction value**


Source: Deloitte & Touche based on 16 company survey responses.

[3] Biennial products allow owners to use intervals every other year, instead of each year.

Volume per guest (VPG)[4], a measure of sales efficiency, is calculated as net originated sales per tour, decreased by 0.8 percent from Q2 2018 - YTD to Q2 2019 - YTD.

**Figure 6. Weighted average volume per guest**


Source: Deloitte & Touche based on 16 company survey responses.

The close rate, another measure of sales efficiency, is the number of sales transactions generated from tour flow, decreased by 0.2 percentage points (1.4 percent) from Q2 2018 - YTD to Q2 2019 - YTD.

[4] VPG is calculated as net originated sales excluding telesales, divided by the number of tours, responses are weighted by the dollar value of net originated sales (excluding telesales).

**Figure 7. Weighted average close rate**


Source: Deloitte & Touche based on 16 company survey responses.

The averages reported above are weighted averages; however, we also disclose the simple averages for the close rate, volume per guest, and average transaction value herein, see *Figure 8* below. Note that metrics below were directionally the same under both the weighted and simple average calculations.

**Figure 8. Weighted and simple averages for selected sales metrics**

| | Weighted Average Q2 2018 - YTD | Weighted Average Q2 2019 - YTD | Simple Average Q2 2018 - YTD | Simple Average Q2 2019 - YTD |
|---|---|---|---|---|
| Volume per guest | $2,933 | $2,908 | $2,803 | $2,793 |
| Average transaction value | $21,144 | $21,249 | $19,690 | $19,884 |
| Close rate | 14.3% | 14.1% | 14.2% | 14.0% |

Source: Deloitte & Touche based on 16 company survey responses

Among the companies that provided key sales indicators, 13 provided rescission percentage information. The weighted average rescission rate[5] among those companies was 16.5 percent in Q2 2019 - YTD, which was an increase of 0.8 percentage points from 15.7 percent for Q2 2018 - YTD. Seven companies reported a decrease in rescissions between Q2 2018 - YTD and Q2 2019 - YTD and six companies reported an increase in rescissions. The simple average rescission rate increased 0.6 percentage points from 14.0 percent to 14.6 percent from Q2 2018 - YTD to Q2 2019 - YTD. Further, respondents were asked to provide the rescission volume in dollars. For the 15 companies that provided this information for Q2 2018 - YTD and Q2 2019 - YTD, the total aggregate rescissions increased by 9.6 percent from $652.3 million to $714.8 million in Q2 2019 - YTD.

[5] Measured as the dollar amount of rescissions as a portion of gross sales weighted by the dollar value of net originated sales.

Respondents were asked a question related to rescission information on existing and new owner sales. For the 12 respondent companies that provided rescission information on new owner sales, the weighted average rescission rate decreased from 32.4 percent in Q2 2018 - YTD to 31.7 percent in Q2 2019 - YTD. Further, 14 respondents provided rescission information on new owner sales in dollars resulting in an increase of 13.2 percent in the total aggregate rescission volume from approximately $338.2 million to approximately $383.0 million from Q2 2018 - YTD to Q2 2019 - YTD. For the 12 respondent companies that provided rescission information on existing owner sales, the weighted average rescission rate increased from 12.1 percent in Q2 2018 - YTD to 15.1 percent in Q2 2019 - YTD. Further, 14 respondents provided rescission information on existing owner sales in dollars resulting in an increase of 5.4 percent in the total aggregate rescission volume from $221.2 million to $233.1 million from Q2 2018 - YTD to Q2 2019 - YTD.

Respondents were asked a question related to owner growth rate over the prior year. For the 9 respondent companies that provided owner growth rate over the prior year, the weighted average owner growth rate decreased from 6.6 percent in Q2 2018 - YTD to 1.9 percent in Q2 2019 - YTD.

Respondents were asked a question related to rental revenue over the prior year. For the 14 respondent companies that provided rental revenue, the total rental revenue decreased 11.9 percent from $760.2 million in Q2 2018 - YTD to $669.7 million in Q2 2019 - YTD. The main reason for the decrease is due to one of the respondents reporting rental revenue for Q2 – YTD 2018, but not Q2 - YTD 2019. If that respondent was pulled out of the data for this question, there was an 8.6 percent increase in rental revenue.

## 2(A). Consumer timeshare loan portfolio delinquencies and charge-offs increased when comparing Q2 2018 - YTD and Q2 2019 - YTD.

The composition of receivables portfolios[6] was evaluated as of June 30, 2019, and compared to the composition as of June 30, 2018. The total aggregate receivables for the 17 companies that provided receivables data was $14.1 billion as of June 30, 2019, and $13.2 billion as of June 30, 2018.

Respondents reported that payments for 89.4 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of June 30 2019, a decrease of 1.4 percentage points from one year earlier. Also, as of June 30, 2019, 6.6 percent of consumer timeshare loan portfolios by dollar value were more than 120 days delinquent, an increase of 1.1 percentage points compared to one year earlier.

**Figure 9. Aging of consumer timeshare loan portfolios by survey respondents**

| | June 30, 2018 | June 30, 2019 | Difference |
|---|---|---|---|
| Current | 90.8% | 89.4% | -1.4% |
| 31 to 60 days | 1.5% | 1.7% | 0.2% |
| 61 to 90 days | 1.2% | 1.3% | 0.1% |
| 91 to 120 days | 1.0% | 1.0% | 0.0% |
| More than 120 days | 5.5% | 6.6% | 1.1% |
| **Total** | **100.0%** | **100.0%** | |

Source: Deloitte & Touche based on 17 company survey responses.

[6] Receivables portfolio is defined as the total portfolio of consumer timeshare loan receivables held and/or serviced by the company, including securitized and hypothecated receivables, and receivables for sales made in earlier years.

Respondents were asked to report a default rate measured as gross defaults charged against the allowance for uncollectible accounts during the second quarter, as a percentage of the gross outstanding portfolio balance at period-end. The weighted average default rate in Q2 2019 - YTD was 7.3 percent, which was an increase of 2.2 percentage points compared to one year earlier. Of the fifteen respondents, six respondents reported a decrease in the default rate when comparing Q2 2019 - YTD to Q2 2018 - YTD, seven respondents reported an increase in the default rate, and two respondents reported no change in the default rate.

Another question was asked this quarter requesting respondents to provide the weighted average FICO score at origination (weighted by the outstanding principal balance of the receivables) for loans within the portfolio at the end of Q2 2018 - YTD and Q2 2019 - YTD. Of the fifteen respondents, eight respondents reported an increase in the weighted average FICO score, four respondents reported a decrease, and three respondents reported no change. The result was a decrease in the weighted average FICO score from 712 at Q2 2018 - YTD to 711 at Q2 2019 - YTD.

## 2(B). Consumer timeshare loan portfolios experienced a decrease in currency when comparing Q4 2018 - YTD and Q2 2019 - YTD.

The composition of receivables portfolios was evaluated as of June 30, 2019, and compared to the composition as of December 31, 2018. The total aggregate receivables for the companies that provided receivables data was $14.1 billion as of June 30, 2019 and $13.8 billion as of December 31, 2018.

Receivables portfolios showed an increase in delinquencies (greater than 30 days past due) as of June 30, 2019, compared to two quarters earlier. Respondents reported that payments for 89.4 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of June 30, 2019, which was 0.4 percentage points lower than two quarters earlier. Further, for the quarter ending June 30, 2019, 6.6 percent of consumer timeshare loan portfolios by dollar value were charged against the allowance for the period, which was 0.9 percentage points higher compared to December 31, 2018.

**Figure 10. Aging of consumer timeshare loan portfolios by survey respondents**

| | December 31, 2018 | June 30, 2019 | Increase/(Decrease) |
|---|---|---|---|
| Current | 89.8% | 89.4% | -0.4% |
| 31 to 60 days | 2.0% | 1.7% | -0.3% |
| 61 to 90 days | 1.3% | 1.3% | 0.0% |
| 91 to 120 days | 1.2% | 1.0% | -0.2% |
| More than 120 days | 5.7% | 6.6% | 0.9% |
| **Total** | **100.0%** | **100.0%** | |

Source: Deloitte & Touche based on 17 company survey responses. The Fourth Quarter 2018 data herein was based upon the 17 responses obtained from the 2018 Fourth Quarter Pulse Survey.

## 3. Resort occupancy decreased 0.4 percentage points (or 0.5 percent) as compared to Q2 2018 - YTD.

Survey respondents were asked to provide information on timeshare unit occupancy. For the 15 companies that provided occupancy data, representing approximately 19.1 million available room nights in Q2 2019 - YTD, the average occupancy rate decreased 0.5 percent to 77.8 percent in Q2 2019 - YTD, compared to 78.2 percent in Q2 2018 - YTD. Available room nights increased 4.1 percent from Q2 2018 - YTD to Q2 2019 - YTD; increasing from approximately 18.3 million room nights to approximately 19.1 million room nights.

## 4. Average down payment on upgrade sales and non-upgrade sales, average term, interest rate, and FICO score on new loans increased in Q2 2019 - YTD.

Information on the characteristics of new financing provided to consumers at the point of sale was collected and aggregated.[7] The average interest rate on new consumer loans in Q2 2019 - YTD was 14.1 percent, which was an increase of 0.4 percentage points from Q2 2018 - YTD. The Q2 2019 - YTD average loan terms increased from 120.1 months in Q2 2018 – YTD to 122.0 months in Q2 2019 - YTD. The average FICO score for financed sales during Q2 2019 - YTD increased from 720 in Q2 2018 - YTD to 723 in Q2 2019 - YTD.

Respondents were asked to provide the average down payment on upgrade sales separate from non-upgrade sales. As a result, down payments on upgrade sales are typically higher than on non-upgrade sales, and a change in the mix of upgrade and non-upgrade sales could impact the overall average down payment. For the 14 respondents that provided non-upgrade down payment data, the average down payment on non-upgrade sales increased 0.5 percentage points to 17.8 percent of the stated sales price on financed sales in Q2 2019 - YTD compared to 17.3 in Q2 2018 - YTD. For the 13 respondents that provided existing owner down payment data, the average down payment on upgrade sales, which includes the value of equity in the owners' existing vacation ownership interests, was 45.1 percent in Q2 2019 - YTD, an increase of 4.2 percentage points from Q2 2018 - YTD.

**Figure 11. Characteristics of consumer timeshare loan financing**

| | 2018 | 2019 | Difference |
|---|---|---|---|
| **Q2 YTD** | | | |
| Average: | | | |
| Interest rate (annual) | 13.7% | 14.1% | 0.4% |
| Term (months) | 120.1 | 122.0 | 1.9 months |
| Down payment on non-upgrade sales (% of price) | 17.3% | 17.8% | 0.5% |
| Down payment on upgrade sales (% of price) | 40.9% | 45.1% | 4.2% |
| FICO Score at origination | 720 | 723 | 3 |

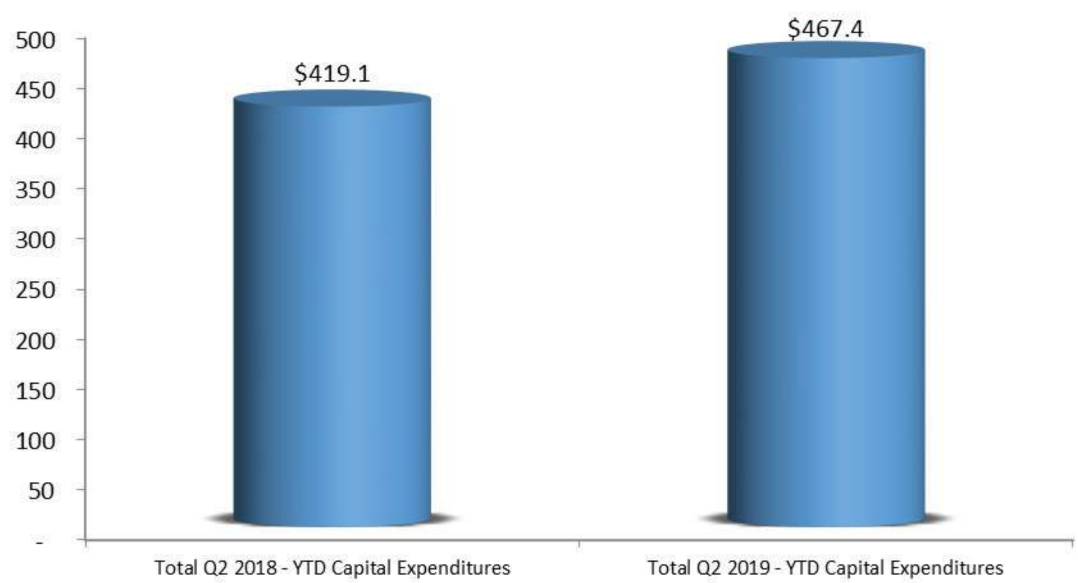
Source: Deloitte & Touche based on a minimum of 13 company survey responses.

[7] To calculate the average interest rate, down payment, and term, responses were weighted by the dollar value of net originated sales (including telesales).

## 5. Capital expenditures related to timeshare inventory increased overall in Q2 2019 - YTD when compared to Q2 2018 - YTD.

Survey respondents were asked to provide total capital expenditures related to timeshare inventory projects (including turn-key, just-in-time inventory purchases, and buy-backs from property owner associations). Overall, capital expenditures increased by 11.5 percent in Q2 2019 - YTD compared to Q2 2018 - YTD. Of the thirteen respondents, six respondents increased capital expenditures related to timeshare inventory and seven respondents decreased capital expenditures related to timeshare inventory.

**Figure 12. Capital Expenditures (Millions)**




Source: Deloitte & Touche based on 13 company survey responses.

The following table shows the quarterly survey results in aggregate.

**ARDA International Foundation – June 2019 YTD Pulse Survey**

| ****June 2019 YTD Results**** | **Year Ending June 30 2018** | **Year Ending June 30 2019** | **Increase/ (Decrease)** | **Increase/ (Decrease) Percent** | **Survey Responses** |
|---|---|---|---|---|---|
| **General Characteristics** | | | | | |
| 1. Ownership status (public or private) | Public: 41% Private: 59% | Public: 41% Private: 59% | | | 17 |
| 2. Are fee-for-service activities being provided by another developer on your behalf? | Yes: 6% No: 94% | Yes: 7% No: 93% | | | 14 |
| 3. Did you complete any acquisitions? (Business Combinations) | Yes: 18% No: 82% | Yes: 6% No: 94% | | | 17 |
| **Receivables Portfolio** | | | | | |
| The following questions refer to the portfolio of receivables (total held and/or serviced receivables, including securitized and/or hypothecated receivables), including receivables for sales made in earlier years. | | | | | |
| 4. Gross outstanding portfolio balance, at period end (in dollars) | $13,199,394,653 | $14,103,377,667 | $903,983,014 | 6.8% | 17 |
| 5. At period end, on a contractual basis what percentage of the dollar amount of this portfolio was: | | | | | |
| Current (current or fewer than 31 days delinquent) | 90.8% | 89.4% | -1.4% | -1.5% | 17 |
| Between 31 to 60 days delinquent | 1.5% | 1.7% | 0.2% | 13.3% | 17 |
| Between 61 to 90 days delinquent | 1.2% | 1.3% | 0.1% | 8.3% | 17 |
| Between 91 to 120 days delinquent | 1.0% | 1.0% | 0.0% | 0.0% | 17 |
| More than 120 days delinquent | 5.5% | 6.6% | 1.1% | 20.0% | 17 |
| **Total should equal 100%** | 100.0% | 100.0% | | | |
| 6. Gross defaults (total amount charged against the allowance for uncollectible accounts during period as a percentage of gross outstanding portfolio balance at period end) | 5.1% | 7.3% | 2.2% | 43.1% | 15 |
| 7. Average FICO score at Origination (on loans in the portfolio at quarter-end, weighted by outstanding principal balance) | 712 | 711 | -1 | -0.1% | 15 |
| **Inventory** | | | | | |
| 8. Capital expenditures related to timeshare inventory (current year) | $419,075,778 | $467,363,869 | $48,288,091 | 11.5% | 13 |
| **Resort Occupancy** | | | | | |
| 9. Timeshare occupancy mix by type. Report based on physical occupancy, meaning actual guest check-in occurred. | | | | | |
| a. Occupied (owner or owners' guest, exchange guest, renter, and marketing guest) | 78.2% | 77.8% | -0.4% | -0.5% | 15 |
| b. Vacant | 21.8% | 22.2% | 0.4% | 1.8% | 15 |
| Total should equal 100% | | | | | |
| 10. Total available room nights during period (This will be used to calculate the weighted average occupancy rate for the response set.) | 18,307,689 | 19,055,653 | 747,964 | 4.1% | 16 |

**Selected Sales Metrics (Including telesales and home sits)**

Sales metrics. Include telesales in the following responses.

| | | | | | |
|---|---|---|---|---|---|
| 11. Net originated sales (net of sales incentives and rescissions) | $3,213,660,917 | $3,357,632,540 | $143,971,623 | 4.5% | 16 |
| 12. Net originated sales that were new owner sales (net of sales incentives and rescissions): | $1,340,452,401 | $1,400,171,924 | $59,719,523 | 4.5% | 15 |
| 13. Net originated sales that were existing owner sales (net of sales incentives and rescissions): | $1,586,907,570 | $1,685,571,230 | $98,663,659 | 6.2% | 15 |
| 14. Rescissions (%) | 15.7% | 16.5% | 0.8% | 5.1% | 13 |
| Rescissions ($) | $652,340,114 | $714,773,942 | $62,433,828 | 9.6% | 15 |
| 15. Rescissions that were new owner sales (%) | 32.4% | 31.7% | -0.7% | -2.2% | 12 |
| Rescissions that were new owner sales ($) | $338,243,328 | $382,995,290 | $44,751,962 | 13.2% | 14 |
| 16. Rescissions that were existing owner sales (%) | 12.1% | 15.1% | 3.0% | 24.8% | 12 |
| Rescissions that were existing owner sales ($) | $221,194,545 | $233,054,032 | $11,859,487 | 5.4% | 14 |
| 17. Weighted average owner growth rate over prior year. Report the growth rate of the actual number of owners during the period. Weighted average is based on net originated sales (net of sales incentives and rescissions) | 6.6% | 1.9% | -4.7% | -71.2% | 9 |

**Selected Sales Metrics (Excluding telesales)**

Sales metrics. Exclude telesales from the following responses. Include sales to existing owners and other in-house guests.

| | | | | | |
|---|---|---|---|---|---|
| 18. Number of tours. Represents the number of tours taken by guests in the company's efforts to sell timeshares. Include all tours of sales prospects, whether they occur on-site or at an off-site sales center. | 1,248,874 | 1,285,143 | 36,269 | 2.9% | 16 |
| 19. Number of sales transactions (exclude rescissions) (Transactions should include: week sales, EOY sales, multiple-week sales, upgrades (that count as zero weeks), points sales, and reloads (which should be part of all categories above, except upgrades). Transactions should not include sales of Sampler programs.) | 177,789 | 180,535 | 2,746 | 1.5% | 16 |
| Close rate (excludes sales that are canceled through rescission, calculated based on formula) | 14.3% | 14.1% | -0.2% | -1.4% | 16 |
| 20. Net originated sales excluding telesales (gross less sales incentives and rescissions) | $3,500,690,685 | $3,589,669,170 | $88,978,485 | 2.5% | 16 |
| Volume per guest ("VPG"). Represents timeshare sales revenue per guest and is calculated by dividing net originated sales, excluding telesales and home sits, by the number of tours. (calculated based on formula) | $2,933 | $2,908 | ($25) | -0.8% | 16 |
| Average transaction value (this is calculated based on net originated sales and excludes any charges not reflected in net originated sales, such as closing costs) | $21,144 | $21,249 | $105 | 0.5% | 16 |
| 21. Total net originated sales (gross sales less sales incentives and rescissions) for non-owned timeshare inventory sold under fee-for-service agreements | $481,347,543 | $470,363,173 | ($10,984,370) | -2.3% | 4 |
| 22. Total net originated sales (gross ales less sales incentives and rescissions) for owned timeshare inventory sold by others under fee-for-service agreements | $4,449,234 | $5,102,695 | $653,461 | 14.7% | 1 |
| Total net originated sales (excluding rescissions, including fee-for-service, excluding fee-for-service sold by others) | $3,690,559,226 | $3,822,893,018 | $132,333,792 | 3.6% | 16 |
| 23. Total Rental Revenue | $760,228,976 | $669,695,304 | ($90,533,672) | -11.9% | 14 |

The following items refer to new financing provided to consumers during the period. For upgrade sales, use the characteristics of the new loan. For example, if an owner with $4,000 of equity and $6,000 principal balance outstanding on an existing loan purchases an upgrade vacation ownership interest with a stated sales price of $20,000, and uses the equity in their existing interval as the down payment, resulting in a new loan with a principal balance of $16,000, use the interest rate and term of that $16,000 loan.

| | | | | | |
|---|---|---|---|---|---|
| 24. Average interest rate. | 13.7% | 14.1% | 0.4% | 2.9% | 16 |
| 25. Average term (in months). | 120.1 | 122.0 | 1.9 | 1.6% | 16 |
| Average down payment. | | | | | |
| 26. Average down payment on non-upgrade sales | 17.3% | 17.8% | 0.5% | 2.9% | 14 |
| 27. Average down payment on upgrade sales | 40.9% | 45.1% | 4.2% | 10.3% | 13 |
| 28. Weighted Average FICO Score (on new loans, weighted by original principal balance, exclude buyers without FICO scores) | 720 | 723 | 3 | 0.4% | 15 |

## Method

The 2019 Second Quarter Year-To-Date Pulse Survey was conducted by Deloitte & Touche on the behalf of ARDA International Foundation. The purpose of the research was to compile current data and to provide a current perspective on the timeshare industry's financial performance.

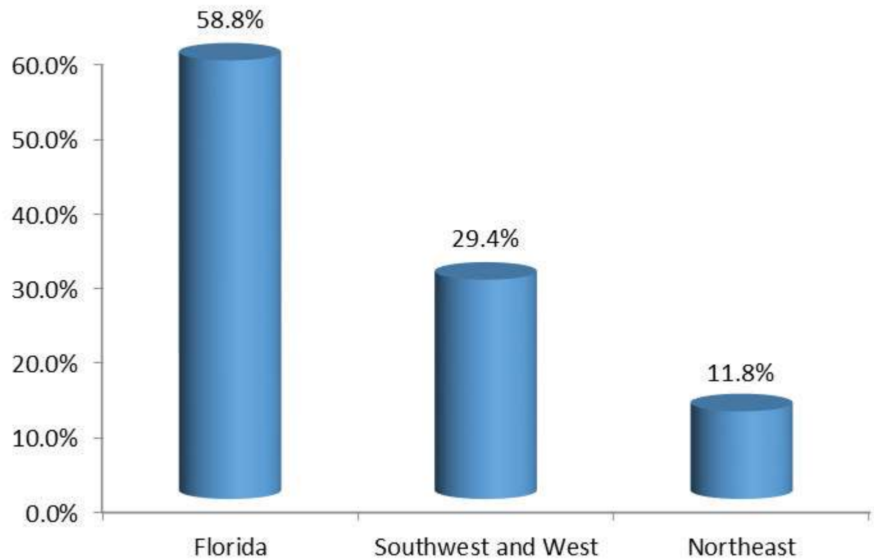
Deloitte & Touche developed the survey instrument in connection with input from ARDA International Foundation and industry participants. Deloitte & Touche distributed the survey directly to 269 timeshare and vacation ownership companies on July 15, 2019. The survey collection efforts focused on companies generating the largest volume of timeshare sales and companies that participate as board members of the American Resort Development Association (ARDA). Deloitte & Touche followed up with the companies by telephone and e-mail to encourage responses. Deloitte & Touche ended the survey collection effort on August 15, 2019. By August 15, 2019, 17 companies, or 6.3 percent of those surveyed, responded.

During the data analysis phase, Deloitte & Touche contacted several of the respondents with follow-up questions about specific answers they provided. Responses to some questions that were left blank or were unusual were ultimately excluded from the analysis. Though a total of 17 responses were collected, most questions were not answered by all 17 respondent companies as indicated in the "survey responses" column on the "Aggregate Results" tables.

The response base includes major companies in the U.S. timeshare sector. The 16 respondents that provided sales information reported aggregate Q2 2019 net originated sales, including telesales and excluding fee-for-service arrangements, of $3,357.6 million. Seven of the 16 companies are publicly traded companies, and five of the 17 are affiliated with major hotel brands. Of the seven public company respondents, three represent individual subsidiaries of a single public company. These respondents have consolidated over the last two years, but have not fully integrated their total company data in order to provide responses on an overall basis. Because these companies still provide responses at the individual subsidiary level, we treat them as their own respondents and consider the total number of public company respondents to be seven instead of five. The survey is focused on the U.S. considering the location of companies' headquarters provides an indication of the geographic regions represented by the response base. Many of the U.S. respondents are based in the Southeast, including ten in Florida, though companies in the Northeast region, and Southwest and West region also responded.[8] No respondents were based in the Southeast, Midwest or Canada.

[8] Regional definitions: Florida (FL); Northeast (CT, DC, DE, KY, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV); Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI); Southeast (AL, AR, GA, LA, MS, NC, SC, TN); and Southwest and West (AK, AZ, CA, CO, HI, ID, MT, NM, NV, OK, OR, TX, UT, WA, WY).

**Figure 14. Distribution of companies by headquarters location, 2019**




Source: Deloitte & Touche based on 17 company survey responses.

To effectively interpret the survey results it is important to understand that the survey is not a projection as it is not based on a random sample of companies, nor is it a census of all companies. The survey is based on responses from participating companies that account for a predominance of industry sales, and this is one of the reasons it is seen as a valuable resource.

The companies that participated in this survey are not identical to those that participated in prior editions of the Pulse Survey or of the Financial Performance Survey, which is an annual survey conducted on behalf of the ARDA International Foundation. The most recent previous Pulse Survey reported on activity through the fourth quarter of 2018. The current Pulse Survey functions similarly as a timely source of information on several key statistics, with a focus on the second quarter year-to-date of 2019. Due to the relatively large size of some of the companies participating, the changing composition of the response base can materially impact the results reported in this version compared to previous editions. Also, the timeshare industry experiences changes in activity levels during different seasons of the year. It is not accurate to compare the Q2 2018 - YTD and Q2 2019 - YTD results presented in this edition with results shown in reports of earlier periods without understanding that the response base and reporting period have changed.

Unless otherwise noted specifically as simple averages, all averages in this report are weighted averages. For example, responses to questions related to sales topics, such as volume per guest, are weighted by net originated sales volume.

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ARDA
American Resort Development Association