ECONOMIC AND FISCAL IMPACTS OF THE

# Hawaii Timeshare Industry

2020

2020 EDITION
PREPARED BY EY

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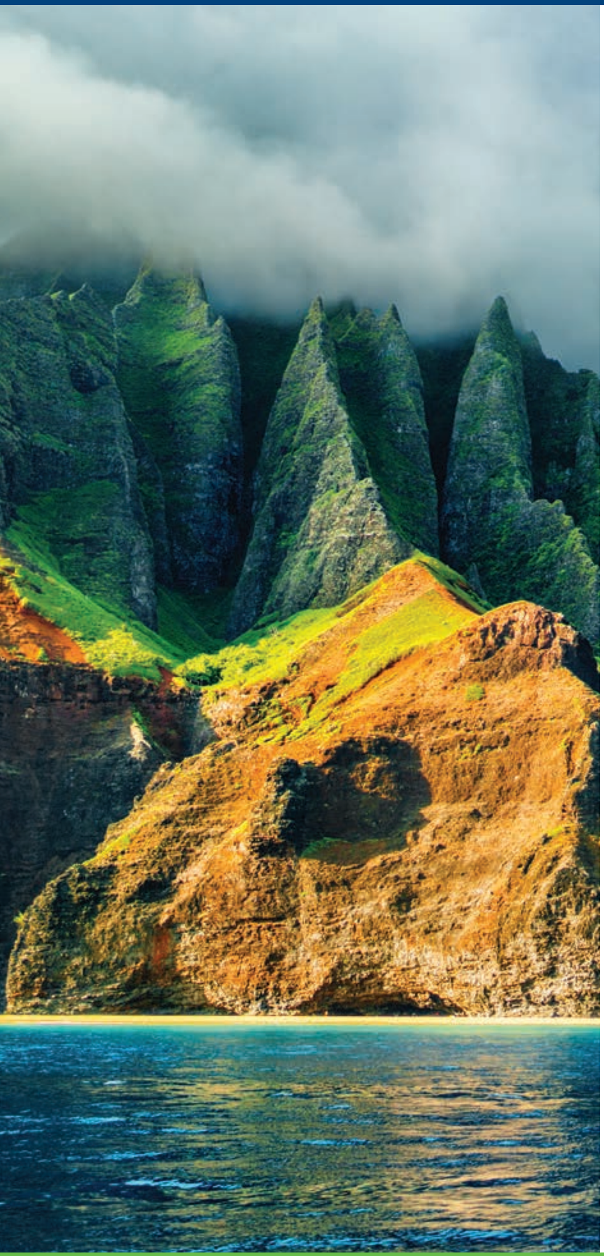



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## Executive Summary

The Hawaii timeshare industry 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, construction of new resorts and the renovation of existing resorts, and the significant impact of expenditures of vacationers during timeshare stays in the state. This document presents estimates of the economic and state and local tax benefits generated by the timeshare industry in the state of Hawaii.

As shown in Tables ES-1 and ES-2 below, the timeshare industry in Hawaii accounted for 26,696 jobs, nearly $4.3 billion of output, $1.7 billion in labor income, and $195 million in state and local tax revenue.

**Table ES-1. Economic Impacts of the Timeshare Industry in Hawaii, 2019**
Millions of dollars; Number of part- and full-time jobs

| Impact | Direct | Indirect & induced | 2019 total |
|---|---|---|---|
| Employment | 14,709 | 11,986 | 26,696 |
| Labor income | $1,122 | $628 | $1,749 |
| Output | $2,647 | $1,614 | $4,261 |
| State & local taxes | $174 | $21 | $195 |

Note: Includes impacts related to resort operations, corporate office operations, sales office operations, consumer expenditures, and capital expenditures in 2019.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey and EY analysis using the IMPLAN input-output model.

**Table ES-2. Summary of Fiscal Impacts of the Hawaii Timeshare Industry, 2019**
Millions of dollars

| | State taxes | Local taxes | Total taxes |
|---|---|---|---|
| Resorts | $26 | $128 | $154 |
| Corporate | $1 | $0 | $1 |
| Sales and marketing | $6 | $2 | $8 |
| Vacation expenditures | $24 | $3 | $27 |
| Capital expenditures | $4 | $1 | $5 |
| **Total** | **$61** | **$134** | **$195** |

Note: Numbers may not appear to sum due to rounding.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey, IRS Income Statistics, BEA, and EY analysis using the IMPLAN input-output model.

## Survey Results

The primary data source for the economic and fiscal impacts is a survey of timeshare resorts, developers, and management companies. This survey was conducted by EY for the ARDA International Foundation (AIF) in early 2020. The survey combined both State of the Industry questions and Economic Impact questions in one master survey. The survey data was extrapolated to reflect the timeshare industry in Hawaii, excluding fractional resorts, Private Residence Clubs, and Destination Clubs. The identified timeshare resorts in Hawaii were sent a survey questionnaire. It is estimated that the 101 resorts have 13,746 units.[1]

**Table 1. Direct Industry Operations Survey Data for Hawaii, 2019**

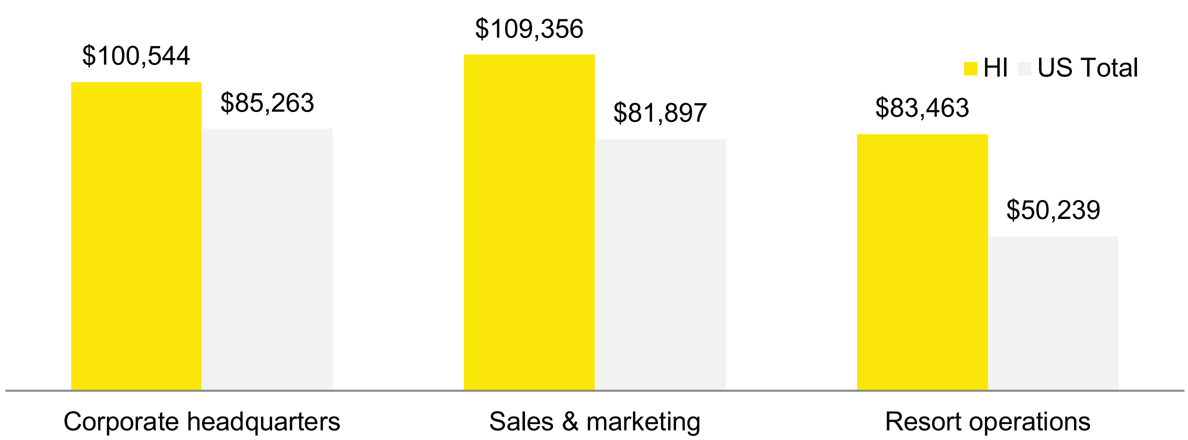
Millions of dollars; Number of part- and full-time jobs

| | Employment | Employee compensation | Economic output |
|---|---|---|---|
| Resort operations | 7,805 | $651 | $1,342 |
| Corporate headquarters | 192 | $19 | $77 |
| Sales and marketing | 1,504 | $164 | $315 |
| **Total** | **9,500** | **$835** | **$1,734** |

Note: Does not include off-site vacation expenditures and capital expenditure data.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey and EY analysis.

**Figure 1. Average Annual Compensation by Industry Function in Hawaii, 2019**

Including payroll taxes and other benefits




Note: Does not include off-site vacation expenditures and capital expenditure data.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey.

[1] The total number of timeshare units in Hawaii is estimated as the number of Hawaii resorts (101) multiplied by the average number of units per resort (136).

**Table 2. Capital Expenditures in the Hawaii Timeshare Industry, 2019**
Millions of dollars

| Capital expenditures | Direct spending |
|---|---|
| Resort capital expenditures | $92 |
| New construction | $32 |
| Renovation | $60 |
| Sales and corporate capital expenditures | $3 |
| New construction | $1 |
| Renovation | $2 |
| **Total capital expenditures** | **$95** |

Note: Renovation costs include costs related to renovation, furniture, fixtures, equipment (FF&E), and other capital expenditures. New construction costs include expenses related to the purchase of land, construction, FF&E, and other capital expenditures.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey and EY analysis.

AIF commissioned Leger, a market research company, to collect data via a survey on vacation expenditures by timeshare owners and visitors during their Hawaii timeshare vacations in the last year, which is summarized in Table 3. This data is used to estimate the impact of timeshare vacationer spending on the Hawaii economy.

**Table 3. Detailed Vacation Expenditure Spending Data[1]**

| | Average per party | | | |
|---|---|---|---|---|
| **Vacation spending data** | ***On-site spending*** | ***Off-site spending*** | ***Total spending*** | **Total off-site spending ($mil)** |
| Air transportation services | -- | $1515 | $1515 | $402 |
| Entertainment and recreation | $17 | $16 | $32 | $4 |
| Hotels and motel services[2] | $169 | $169 | $338 | $45 |
| Restaurants & bars | $143 | $401 | $544 | $107 |
| Clothing and clothing accessories | $147 | $352 | $499 | $94 |
| Groceries | $154 | $278 | $432 | $74 |
| Ground transit | -- | $63 | $63 | $17 |
| Gasoline stations | -- | $106 | $106 | $28 |
| Miscellaneous | $49 | $30 | $79 | $8 |
| Rental cars | -- | $404 | $404 | $107 |
| Theme parks & museums | $65 | $170 | $234 | $45 |
| Fitness & sports | $16 | $46 | $62 | $12 |
| **Total** | **$758** | **$3,549** | **$4,307** | **$943** |
| **Average spending per person[3]** | **$205** | **$959** | **$1,164** | |

[1]Does not include gambling wins and losses.
[2]Hotel and motel on-site expenditures are captured by the 2020 US 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 in Hawaii.
Source: 2020 Shared Vacation Ownership Owners Survey, prepared by Leger for AIF.

## Economic and Fiscal Impact Results

Using a customized economic model of the Hawaii economy, developed by IMPLAN Group LLC, this analysis estimated the direct and indirect economic impacts of the timeshare industry. The survey data discussed above was used to generate the direct impacts that served as inputs into the IMPLAN model. The timeshare industry's direct operations create purchases from suppliers, employee compensation, and other forms of capital income. These various payments to factors of production (labor and capital) and suppliers create additional indirect economic impacts. The industry's supplier purchases result in higher levels of additional sales, employment, and income by suppliers. This impact on suppliers is known as the "indirect" economic impact. The re-spending of employee compensation and other types of income by employees and owners of the timeshare industry creates additional spending by consumers at restaurants, retailers, and other businesses that sell to consumers. The impact from additional consumer spending is referred to as the "induced" economic impact.

**Table 4. Direct Economic Output Generated by Hawaii Resort Operations, 2019**
Millions of dollars

| | Amount |
|---|---|
| Rental revenue | $556 |
| Maintenance fees | $629 |
| On-site consumer spending | $157 |
| **Direct economic output** | **$1,342** |

Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey, IRS Income Statistics, BEA, and EY analysis.

**Table 5. Direct Economic Output Generated by Hawaii Corporate, Sales and Marketing Operations, 2019**
Millions of dollars

| | Corporate headquarters | Sales and marketing |
|---|---|---|
| Labor income | $19 | $164 |
| Non-labor operating expenses | $51 | $133 |
| Profits | $7 | $18 |
| **Direct economic output** | **$77** | **$315** |

Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact, IRS Income Statistics, BEA, and EY analysis.

**Table 6. Detailed Economic Impacts of the Hawaii Timeshare Industry, by Function, 2019**
Millions of dollars; number of part- and full-time jobs

| **Output** | **Direct** | **Indirect & induced** | **Total** |
|---|---|---|---|
| Industry operations | $1,734 | $1,051 | $2,785 |
| Resorts | $1,342 | $726 | $2,068 |
| Corporate | $77 | $60 | $137 |
| Sales and marketing | $315 | $265 | $580 |
| Vacation expenditures | $818 | $489 | $1,306 |
| Capital expenditures | $95 | $74 | $169 |
| **Total** | **$2,647** | **$1,614** | **$4,261** |

| **Employment** | **Direct** | **Indirect & induced** | **Total** |
|---|---|---|---|
| Industry operations | 9,500 | 8,843 | 18,343 |
| Resorts | 7,805 | 6,759 | 14,564 |
| Corporate | 192 | 357 | 548 |
| Sales and marketing | 1,504 | 1,727 | 3,231 |
| Vacation expenditures | 4,624 | 2,719 | 7,343 |
| Capital expenditures | 585 | 425 | 1,010 |
| **Total** | **14,709** | **11,986** | **26,696** |

| **Income** | **Direct** | **Indirect & induced** | **Total** |
|---|---|---|---|
| Industry operations | $840 | $460 | $1,300 |
| Resorts | $651 | $352 | $1,003 |
| Corporate | $19 | $18 | $38 |
| Sales and marketing | $169 | $90 | $259 |
| Vacation expenditures | $240 | $145 | $385 |
| Capital expenditures | $43 | $23 | $65 |
| **Total** | **$1,122** | **$628** | **$1,749** |

Note: Labor income includes employee compensation shown in Table 1 and proprietor income.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey and EY analysis using the IMPLAN input-output model.

**Table 7. Summary of Direct, Indirect, and Induced Fiscal Impacts of the Hawaii Timeshare Industry by Function, 2019**
Millions of dollars

| | State taxes | Local taxes | Total taxes |
|---|---|---|---|
| **Property tax** | **--** | **$100** | **$100** |
| Resorts | -- | $96 | $96 |
| Corporate | -- | $0 | $0 |
| Sales and marketing | -- | $2 | $2 |
| Vacation expenditures | -- | $2 | $2 |
| Capital expenditures | -- | $0 | $0 |
| **General sales tax** | **$37** | **$1** | **$38** |
| Resorts | $12 | $1 | $13 |
| Corporate | $0 | $0 | $0 |
| Sales and marketing | $3 | $0 | $3 |
| Vacation expenditures | $19 | $0 | $19 |
| Capital expenditures | $3 | $0 | $3 |
| **Other taxes** | **$24** | **$33** | **$57** |
| Resorts | $14 | $32 | $45 |
| Corporate | $1 | $0 | $1 |
| Sales and marketing | $3 | $0 | $4 |
| Vacation expenditures | $5 | $1 | $6 |
| Capital expenditures | $1 | $0 | $1 |
| **Total** | **$61** | **$134** | **$195** |

Note: Numbers may not appear to sum due to rounding.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey, IRS Income Statistics, BEA, and EY analysis using the IMPLAN input-output model.

**Table 8. Summary of Direct, Indirect, and Induced Fiscal Impacts of the Hawaii Timeshare Industry by Tax Type, 2019**
Millions of dollars

| | State taxes | Local taxes | Total taxes |
|---|---|---|---|
| Property taxes | -- | $100 | $100 |
| General sales taxes | $37 | $1 | $38 |
| Occupancy taxes | -- | $30 | $30 |
| Excise taxes | $7 | $1 | $8 |
| License taxes | $2 | $1 | $3 |
| Corporate income tax | -- | -- | -- |
| Individual income tax | $15 | -- | $15 |
| Medicare and SSI tax | -- | -- | -- |
| Misc. taxes | $0 | $1 | $1 |
| **Total taxes** | **$61** | **$134** | **$195** |

Note: Numbers may not appear to sum due to rounding.
Source: 2020 US State of the Vacation Timeshare Industry and Economic Impact Survey, IRS Income Statistics, BEA, and EY analysis using the IMPLAN input-output model.

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