Pulse Survey

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A SURVEY OF TIMESHARE AND VACATION OWNERSHIP RESORT COMPANIES

2020 Q3 QTD

PREPARED BY

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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 *2020 Third Quarter Quarter-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 September 24, 2020, 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 November 9, 2020. Accordingly, changes in circumstances after that date could affect the findings outlined in this report.

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November 23, 2020

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2020 Third Quarter Quarter-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 third quarter quarter-to-date 2020 survey of U.S. timeshare companies that were in active sales during the third quarter of the year. The 2020 survey included additional questions related to COVID-19 to assess the impacts. We will continue to assess the COVID-19 impact on the timeshare industry in future surveys. The results herein include data from the time period of July 2020 to September 2020. The results cover a total of 14 responding companies with aggregate net originated sales of approximately $900 million at September 30, 2020 for the 13 respondents that provided sales information. The amount of responding companies decreased by two from the Second Quarter Year-to-Date Pulse Survey primarily due to the consolidation of three of the responding companies. The three respondents have consolidated over the last two years but had not previously fully integrated their total company data in order to provide responses on an overall basis. As their responses were provided at the consolidated level for the Third Quarter Quarter-to-Date Pulse Survey, we treated them as one respondent herein. The financial information contained in this survey includes September 30, 2020 QTD (Q3 2020 - QTD) compared to September 30, 2019 (Q3 2019 - QTD), as well as data as of September 30, 2020 QTD (Q3 2020) compared to data as of June 30, 2020 (Q2 2020) as previously reported in the Second Quarter Year-to-Date Pulse Survey. 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 decreased 51.6 percent from Q3 2019 - QTD to Q3 2020 - QTD, decreasing from $1,859.9 million to $899.9 million.	Decrease
Net Originated Timeshare Sales (including Telesales and Fee-for-service, excluding Rescissions and Fee-for-Service sold by others) decreased 53.1 percent from Q3 2019 - QTD to Q3 2020 - QTD, decreasing from $2,111.1 million to $989.9 million.	Decrease
Sales Metrics	
Weighted Average Transaction Value increased 3.2 percent from $21,908 in Q3 2020 - QTD to $22,608 in Q3 2020 - QTD. (The simple average transaction value decreased 5.3 percent from $20,387 in Q3 2019 to $19,297 in Q3 2020.)	Increase
Weighted Average Volume Per Guest (VPG) increased 31.6 percent from $2,953 to $3,887 from Q3 2019 - QTD to Q3 2020 - QTD. (The simple average VPG increased 33.3 percent from $2,783 in Q3 2019 - QTD to $3,709 in Q3 2020 - QTD.)	Increase

Tours decreased 66.4 percent from 733,558 to 246,440 tours from Q3 2019 - QTD to Q3 2020 - QTD.	Decrease

Portfolio Performance	
Currency decreased by 3.2 percentage points (or 3.6 percent), decreasing from 88.8 percent in Q3 2019 - QTD to 85.6 percent in Q3 2020 - QTD.	Decrease
Delinquencies increased by 3.2 percentage points (or 28.6 percent), increasing from 11.2 percent in Q3 2019 – QTD to 14.4 percent in Q3 2020 – QTD.	Increase
Charge-Offs increased by 0.5 percentage point (or 7.4 percent), increasing from 6.8 percent in Q3 2019 – QTD to 7.3 percent in Q3 2020 – QTD.	Increase
Consumer Finance Experience	
Interest Rates had no change from Q3 2019 – QTD to Q3 2020 – QTD, staying consistent at 14.2 percent.	No change
Weighted Average Term had no change from Q3 2019 – QTD to Q3 2020 – QTD, staying consistent at 121.4 months.	No change
Down Payments on non-upgrade sales increased 0.9 percentage points (or 4.9 percent), from 18.2 percent in Q3 2019 – QTD to 19.1 percent in Q3 2020 – QTD.	Increase
Down Payments on upgrade sales increased 2.2 percentage points (or 5.6 percent), increasing from 39.4 percent in Q3 2019 – QTD to 41.6 percent in Q3 2020 – QTD.	Increase
Other Metrics	
Weighted Average Occupancy decreased 28.9 percentage points (or 35.4 percent), decreasing from 81.7 percent in Q3 2019 – QTD to 52.8 percent in Q3 2020 – QTD (including rooms at resorts that were closed due to COVID-19). **Weighted Average Occupancy** increased 12.2 percentage points (or 30.0 percent) to 52.8 percent in Q3 2020 – QTD as compared to 40.6 percent as previously reported for Q2 2020-YTD (including rooms at resorts that were closed due to COVID-19).	Decrease Increase
Capital Expenditures decreased 42.8 percent from Q3 2019 – QTD to Q3 2020 – QTD, decreasing from $185.1 million to $105.8 million.	Decrease
Impact of COVID-19	
Allowance for Loan Losses – On average, respondents reported an additional 6.1 percent recorded due to the impact of COVID-19 as a percentage of the total allowance balance for Q3 2020 – QTD as compared to the additional 13.4 percent previously reported for Q2 2020 -YTD.	
Mortgage Deferment Program – Eleven companies offered mortgage deferment programs to owners to assist with loan payments as of Q3 2020. On average, 2.4 percent of owners took advantage of these programs. This increased from the 1.3 percent of owners previously reported as of Q2 2020.	

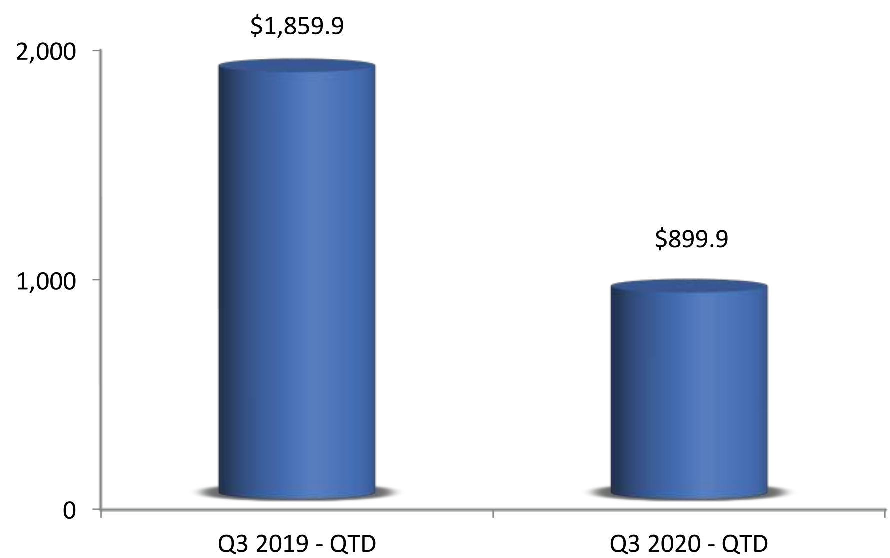
Survey Results

The following summarizes the survey results.

1. Timeshare sales volume decreased in Q3 2020 – QTD when compared to Q3 2019 – QTD.

Companies provided data on a set of key sales indicators. In total, the 13 respondents that provided sales information reported approximately $899.9 million in net originated timeshare sales[1] (including telesales) in Q3 2020 - QTD. This was a 51.6 percent decrease in Q3 2020 - QTD when compared to Q3 2019 - QTD, as reported by the same respondents. This significant decrease in sales is primarily attributed to the impacts of COVID-19 on the timeshare industry. See summary of COVID-19 impacts on the timeshare industry at the COVID-19 Considerations section.

Figure 1. Net originated sales including telesales (Millions)



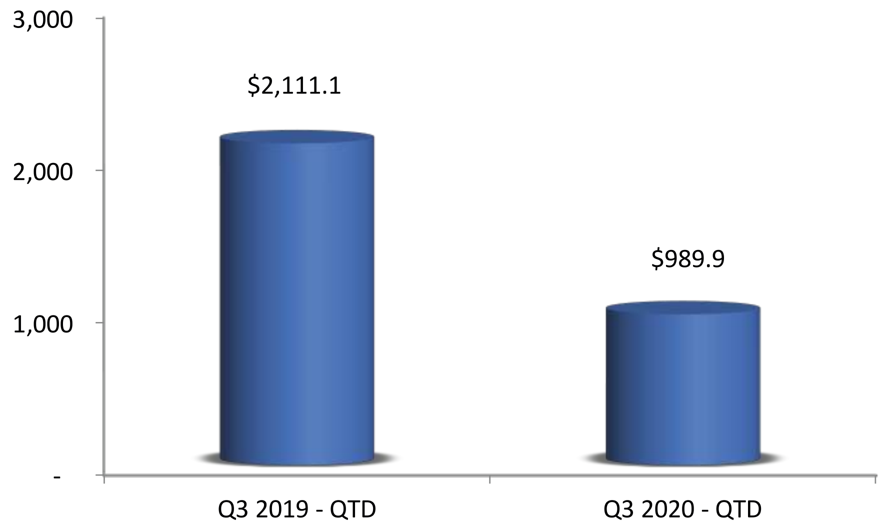
Source: Deloitte & Touche based on 13 company survey responses.

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 13 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. Three of the four respondents providing fee-for-service decreased fee-for-service operations in Q3 2020 - QTD compared to Q3 2019 - QTD while one respondent increased fee-for-service operations. The respondent being provided fee-for-service decreased fee-for-service operations for the same period. The net overall timeshare sales (total fee-for-service provided less total fee-for-service received) under these arrangements decreased from $251.2 million in Q3 2019 - QTD to $90.0 million in Q3 2020 - QTD, or a decrease of

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

64.2 percent. When sales of respondents' non-owned timeshare inventory under fee-for-service arrangements (excluding fee-for-service sold by others) are combined with respondents' sales of their own timeshare inventory, there was a decrease of 53.1 percent in total net originated timeshare sales when compared to Q3 2019 - QTD.

Figure 2. Net originated sales (including sales under fee-for-service arrangements, excluding fee-for-service sold by others) (Millions)

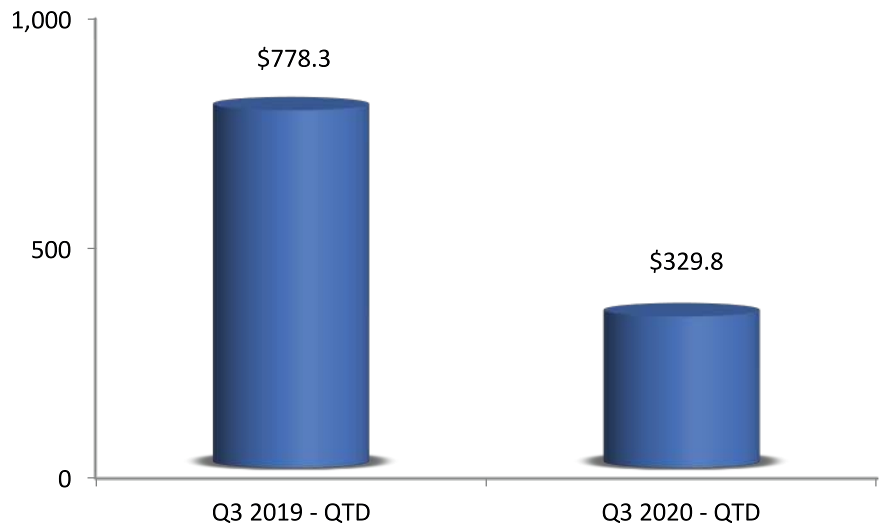


Source: Deloitte & Touche based on 13 company survey responses for net originated sales and 4 respondents reported providing fee-for-service arrangements, and 1 respondent reported being provided fee-for-service arrangements.

Respondents were asked to report the amount of net originated sales (including telesales) that were non existing owner and existing owner sales. The 12 respondent companies that provided new owner sales information reported approximately $329.8 million in new owner net originated timeshare sales (including telesales) in Q3 2020 – QTD, which is a 57.6 percent decrease from Q3 2019 - QTD, see *Figure 3* below. The 12 respondent companies that provided existing owner sales information reported approximately $535.0 million in existing owner net originated timeshare sales (including telesales) in Q3 2020 – QTD which is a 43.1 percent decrease from Q3 2019 - QTD, see *Figure 4* below. As a percentage of total net originated sales as reported by Companies that provided new owner and existing owner sales information, new owner sales make up 38.1 percent of the balance in Q3 2020 – QTD, which is a slight decrease from Q3 2019 – QTD of 45.3 percent. Existing owner sales as of Q3 2020 - QTD equals 61.9 percent of total net originated sales, which is an increase from Q3 2019 - QTD of 54.7 percent.

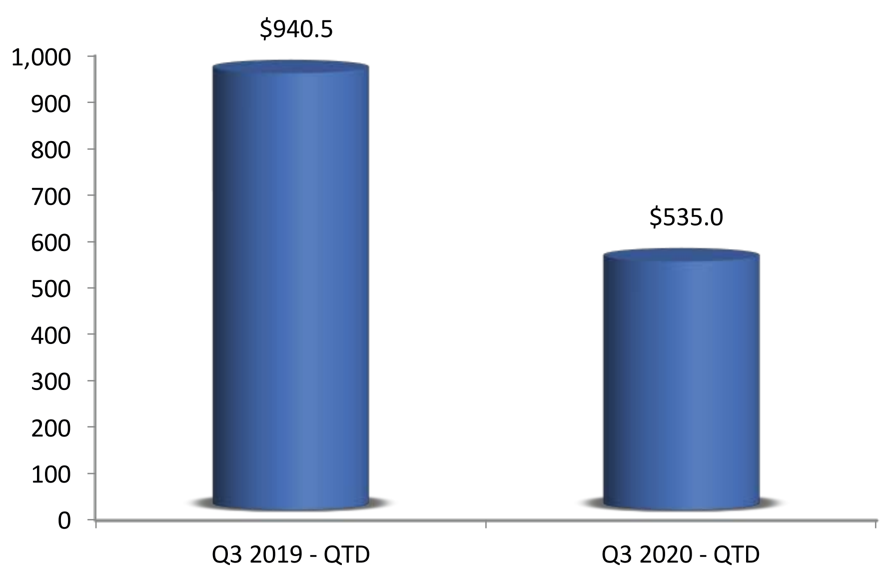
Note that the sum of the total new owner sales and existing owner sales differs from the total net originated sales due to the fact that one of the 13 respondents that provided net originated sales did not provide information related to new owner and existing owner sales.

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



Source: Deloitte & Touche based on 12 company survey responses.

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



Source: Deloitte & Touche based on 12 company survey responses.

Fourteen companies reported net originated sales excluding telesales and detailed information on the number of tours, while thirteen companies reported on the number of sales transactions. The companies reported that the aggregate number of tours[2] decreased 66.4 percent, the aggregate

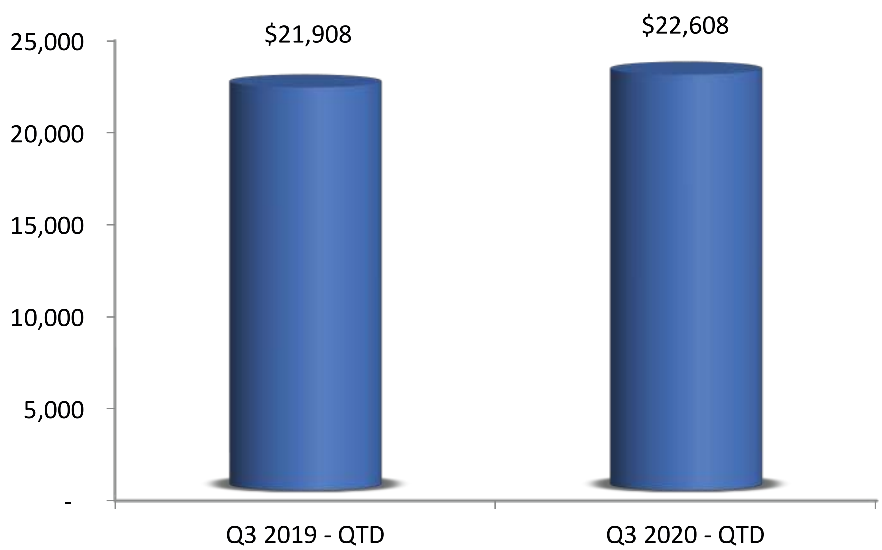
[2] This represents the number of tours taken by guests in the company's efforts to sell timeshares, including all tours of sales prospects, whether they occur on-site or at an off-site sales center.

number of sales transactions decreased 52.7 percent, and the weighted average transaction value increased 3.2 percent. The respondents reported a decrease in net inventory sold under fee-for-service arrangements of 64.3 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. Eight respondents reported average transaction value had increased from Q3 2019 - QTD and five 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 14 company survey responses.

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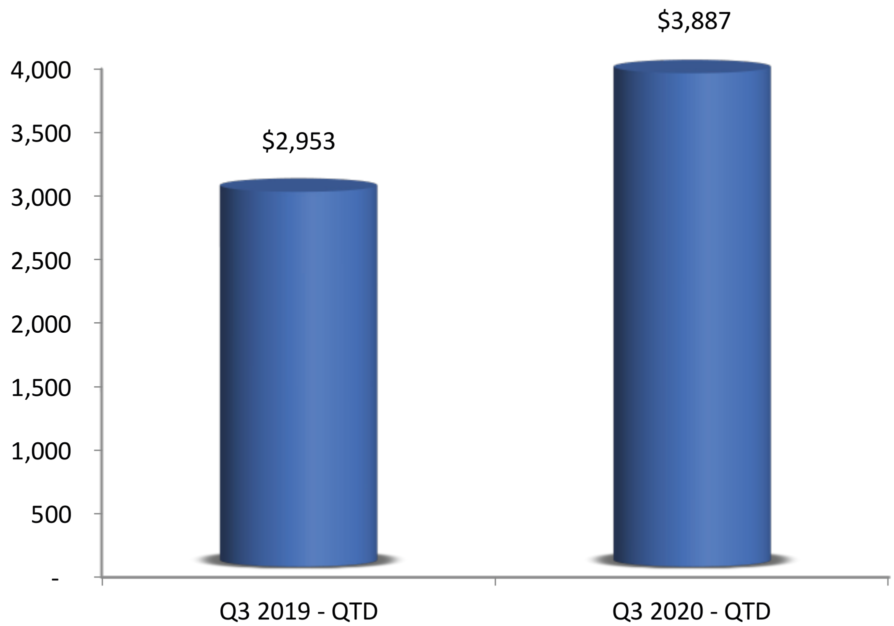
[3] Biennial products allow owners to use intervals every other year, instead of each year.

Volume per guest (VPG)[4], a measure of sales efficiency, is calculated as net originated sales per tour, increased by 31.6 percent from Q3 2019 - QTD to Q3 2020 - QTD.

Figure 6. Weighted average volume per guest

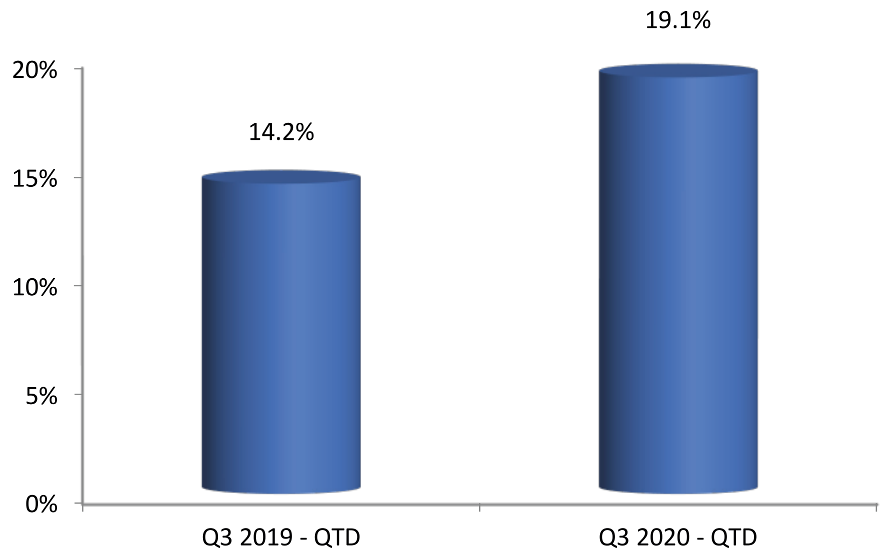


Source: Deloitte & Touche based on 13 company survey responses.

[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).

The close rate, another measure of sales efficiency, is the number of sales transactions generated from tour flow, increased by 4.9 percentage points (34.5 percent) from Q3 2019 - QTD to Q3 2020 - QTD.

Figure 7. Weighted average close rate



Source: Deloitte & Touche based on 13 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 8a* below. Note that metrics below were directionally the same under both the weighted and simple average calculations, with the exception of the simple average transaction value.

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

	Weighted Average Q3 2019	Weighted Average Q3 2020	Simple Average Q3 2019	Simple Average Q3 2020
Volume per guest	$2,953	$3,887	$2,783	$3,709
Average transaction value	$21,908	$22,608	$20,387	$19,297
Close rate	14.2%	19.1%	13.7%	19.2%

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

Additionally, the Q3 2020 VPG, average transaction value, and close rate were compared to Q2 2020 in *Figure 8b* below. All metrics increased from Q2 with the exception of simple average calculation of average transaction value.

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

	Weighted Average Q2 2020	Weighted Average Q3 2020	Simple Average Q2 2020	Simple Average Q3 2020
Volume per guest	$2,961	$3,887	$3,104	$3,709
Average transaction value	$21,855	$22,608	$19,873	$19,297
Close rate	14.9%	19.1%	15.6%	19.2%

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

Among the companies that provided key sales indicators, 12 provided rescission percentage information. The weighted average rescission rate[5] among those companies was 12.9 percent in Q3 2020 - QTD, which was a decrease of 2.9 percentage points from 15.8 percent for Q3 2019 - QTD. Nine companies reported a decrease in rescissions between Q3 2019 - QTD and Q3 2020 - QTD and three companies reported an increase in rescissions. The simple average rescission rate decreased 1.7 percentage points from 11.9 percent to 10.2 percent from Q3 2019 - QTD to Q3 2020 - QTD. Further, respondents were asked to provide the rescission volume in dollars. For the 13 companies that provided this information for Q3 2019 - QTD and Q3 2020 - QTD, the total aggregate rescissions decreased by 62.4 percent from $413.9 million to $155.4 million in Q3 2020 - QTD.

Respondents were asked a question related to rescission information on existing and new owner sales. For the 11 respondent companies that provided rescission information on new owner sales, the weighted average rescission rate decreased from 32.8 percent in Q3 2019 - QTD to 25.0 percent in Q3 2020 - QTD. Further, 12 respondents provided rescission information on new owner sales in dollars resulting in a decrease of 65.1 percent in the total aggregate rescission volume from approximately $240.5 million to approximately $83.9 million from Q3 2019 - QTD to Q3 2020 - QTD. For the 12 respondent companies that provided rescission information on existing owner sales, the weighted average rescission rate decreased from 17.5 percent in Q3 2019 - QTD to 16.7 percent in Q3 2020 - QTD. Further, 12 respondents provided rescission information on existing owner sales in dollars resulting in a decrease of 46.0 percent in the total aggregate rescission volume from $122.8 million to $66.3 million from Q3 2019 - QTD to Q3 2020 - QTD.

Respondents were asked a question related to total rental revenue recognized. For the 13 respondent companies that provided rental revenue, the total rental revenue decreased 54.1 percent from $460.9 million in Q3 2019 - QTD to $211.7 million in Q3 2020 - QTD.

2(A). Consumer timeshare loan portfolio delinquencies and charge-offs increased when comparing Q3 2019 and Q3 2020 .

The composition of receivables portfolios[6] was evaluated as of September 30, 2020, and compared to the composition as of September 30, 2019. The total aggregate receivables for the 14 companies that provided receivables data was $9,589.7 million as of September 30, 2020, and $10,595.3 million as of September 30, 2019.

Respondents reported that payments for 85.6 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of September 30 2020, a decrease of 3.2 percentage points from one year earlier. Also, as of September 30, 2020, 10.1 percent of consumer timeshare

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

[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.

loan portfolios by dollar value were more than 120 days delinquent, an increase of 3.5 percentage points compared to one year earlier.

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

	September 30, 2019	September 30, 2020	Difference
Current	88.8%	85.6%	-3.2%
31 to 60 days	1.9%	1.7%	-0.2%
61 to 90 days	1.4%	1.3%	-0.1%
91 to 120 days	1.3%	1.3%	0.0%
More than 120 days	6.6%	10.1%	3.5%
Total	**100.0%**	**100.0%**	

Source: Deloitte & Touche based on 14 company survey responses.

Respondents were asked to report a default rate measured as gross defaults charged against the allowance for uncollectible accounts during the third quarter, as a percentage of the gross outstanding portfolio balance at period-end. The weighted average default rate in Q3 2020 - QTD was 7.3 percent, which was an increase of 0.5 percentage points compared to one year earlier. Of the thirteen respondents, two respondents reported a decrease in the default rate when comparing Q3 2020 - QTD to Q3 2019 - QTD, ten respondents reported an increase in the default rate, and one respondent 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 Q3 2019 - QTD and Q3 2020 - QTD. Of the thirteen respondents, four respondents reported an increase in the weighted average FICO score and nine respondents reported a decrease. The result was a 0.1 percent change in the weighted average FICO score from 708 at Q3 2019 - QTD to 709 at Q3 2020 - QTD.

2(B). Consumer timeshare loan portfolios experienced an increase in currency when comparing Q2 2020 and Q3 2020.

The composition of receivables portfolios was evaluated as of September 30, 2020, and compared to the composition as of June 30, 2020. The total aggregate receivables for the companies that provided receivables data was $9,859.7 million as of September 30, 2020 and $13,629.6 million as of June 30, 2020.

Receivables portfolios showed a decrease in delinquencies (greater than 30 days past due) as of September 30, 2020, compared to one quarter earlier. Respondents reported that payments for 85.6 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of September 30, 2020, which was 0.5 percentage points lower than one quarter earlier. Further, for the quarter ending September 30, 2020, 7.3 percent of consumer timeshare loan portfolios by dollar value were charged against the allowance for the period, which was 1.0 percentage points lower compared to June 30, 2020.

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

	June 30, 2020	September 30, 2020	Increase/(Decrease)
Current	85.1%	85.6%	0.5%
31 to 60 days	1.8%	1.7%	-0.1%
61 to 90 days	1.7%	1.3%	-0.4%
91 to 120 days	1.5%	1.3%	-0.2%
More than 120 days	9.9%	10.1%	0.2%
Total	**100.0%**	**100.0%**	

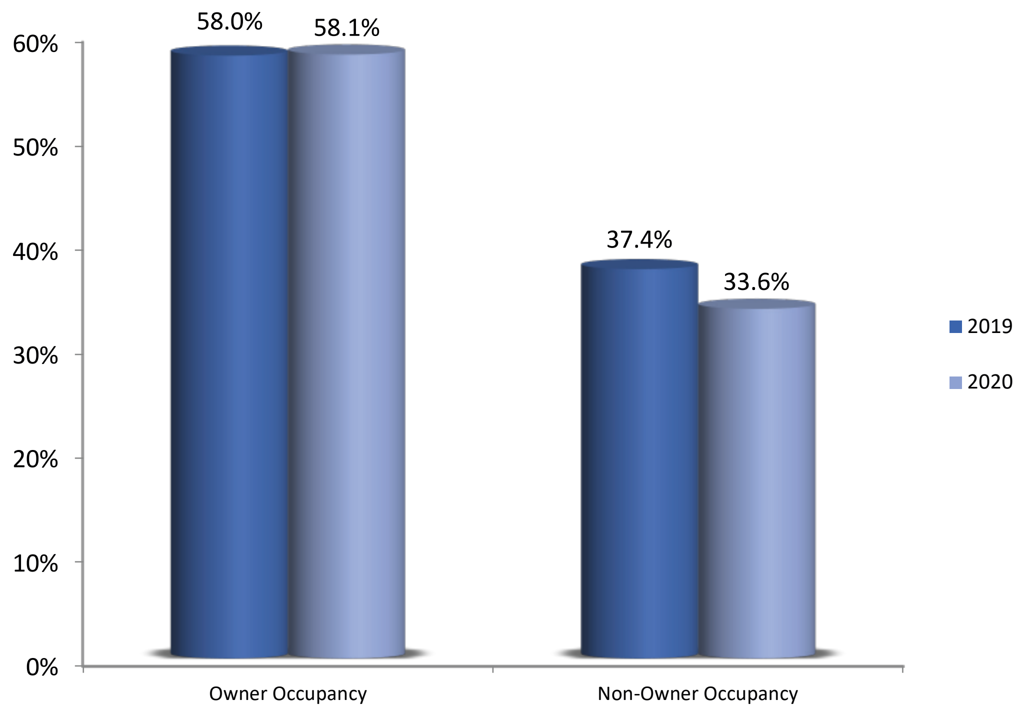
Source: Deloitte & Touche based on 14 company survey responses. The Second Quarter 2020 data herein was based upon the 16 responses obtained from the 2020 Second Quarter Pulse Survey.

3(A). Resort occupancy including rooms at resorts that were closed due to COVID-19 decreased 28.9 percentage points (or 35.4 percent) as compared to Q3 2019 - QTD.

Survey respondents were asked to provide information on timeshare unit occupancy. For the 14 companies that provided occupancy data, representing approximately 10 million available room nights in Q3 2020 - QTD, the average occupancy rate, including rooms at resorts that were closed due to COVID-19, decreased 35.4 percent to 52.8 percent in Q3 2020 - QTD, compared to 81. 7 percent in Q3 2019 - QTD. When excluding rooms in resorts that were closed due to COVID-19, the Q3 2020 -QTD occupancy rate was 55.9 percent. Available room nights including rooms at resorts that were closed due to COVID-19 increased 2.4 percent from Q3 2019 - QTD to Q3 2020 - QTD; increasing from approximately 9.8 million room nights to approximately 10.0 million room nights. When excluding rooms in resorts that were closed due to COVID-19, there were 6.2 million available room nights reported for Q3 2020 – QTD.

Additionally, respondents were asked to report on the occupancy excluding rooms at resorts that were closed due to COVID-19 based on whether the occupants were or were not timeshare owners. The mix slightly increased by 0.2 percent from Q3 2019 – QTD for owner occupancy and decreased by 10.2 percent for non-owner occupancy.

Figure 11a. Occupancy by Sales Mix excluding rooms at resorts that were closed due to COVID-19



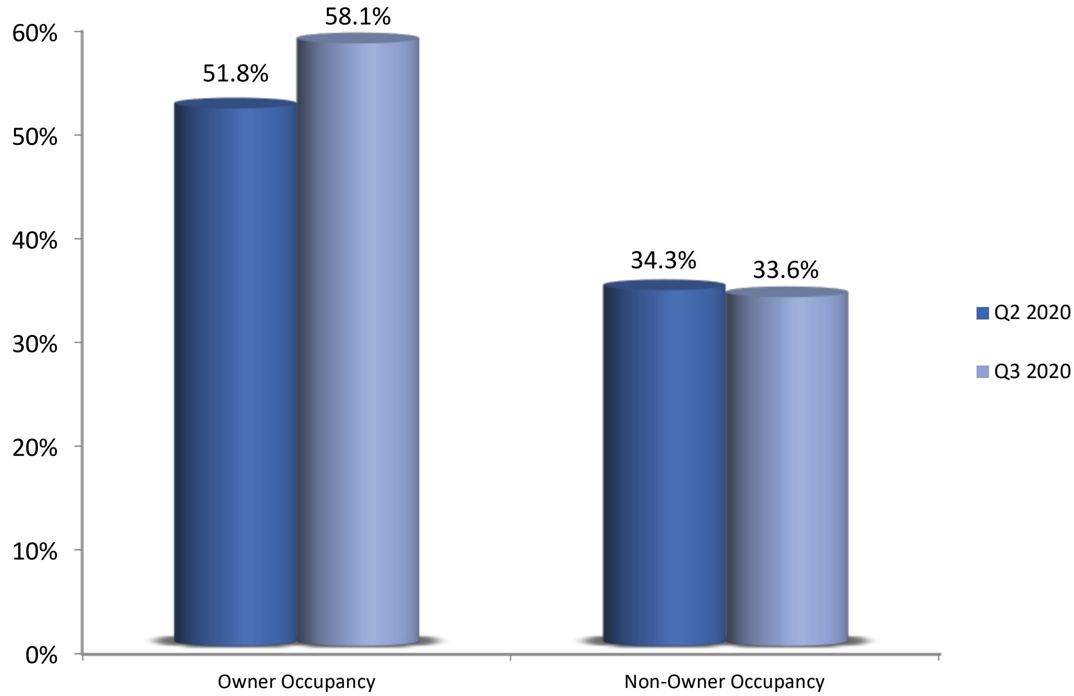
Source: Deloitte & Touche based on 13 company survey responses.

3(B). Resort occupancy including rooms at resorts that were closed due to COVID-19 increased 12.2 percentage points (or 30.0 percent) as compared to Q2 2020 - YTD.

Survey respondents were asked to provide information on timeshare unit occupancy. For the 14 companies that provided occupancy data, representing approximately 10 million available room nights in Q3 2020 - QTD, the average occupancy rate, including rooms at resorts that were closed due to COVID-19, increased 30.0 percent to 52.8 percent in Q3 2020 - QTD, compared to 40.6 percent in Q2 2020 – YTD as previously reported. When excluding rooms in resorts that were closed due to COVID-19, the Q3 2020 -QTD occupancy rate was 55.9 percent, which is an increase of 10.4 percentage points (or 22.9 percent) as compared to 45.5 percent at Q2 2020 – YTD as previously reported.

Additionally, respondents were asked to report on the occupancy excluding rooms at resorts that were closed due to COVID-19 based on whether the occupants were or were not timeshare owners. The mix increased from Q2 2020 for owner occupancy by 12.2 percent and slightly decreased for non-owner occupancy by 2.0 percent.

Figure 11b. Occupancy by Sales Mix excluding rooms at resorts that were closed due to COVID-19



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

4. Average down payment on non-upgrade sales and average down payment on upgrade sales increased in Q3 2020 – QTD, while average term and average interest rate stayed constant in Q3 2020 - QTD.

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 Q3 2020 - QTD was 14.2 percent, which is no change from Q3 2019 - QTD. The Q3 2020 - QTD average loan term was 121.4 months in Q3 2020 – QTD, which is no change from Q3 2019 - QTD. The average FICO score for financed sales during Q3 2020 - QTD decreased from 717 in Q3 2019 - QTD to 711 in Q3 2020 - QTD.

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 13 respondents that provided non-upgrade down payment data, the average down payment on non-upgrade sales increased 0.9 percentage points to 19.1 percent of the stated sales price on financed sales in Q3 2020 - QTD compared to 18.2 in Q3 2019 - QTD. For the 12 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 41.6 percent in Q3 2020 - QTD, an increase of 2.2 percentage points from Q3 2019 - QTD.

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

Figure 12. Characteristics of consumer timeshare loan financing

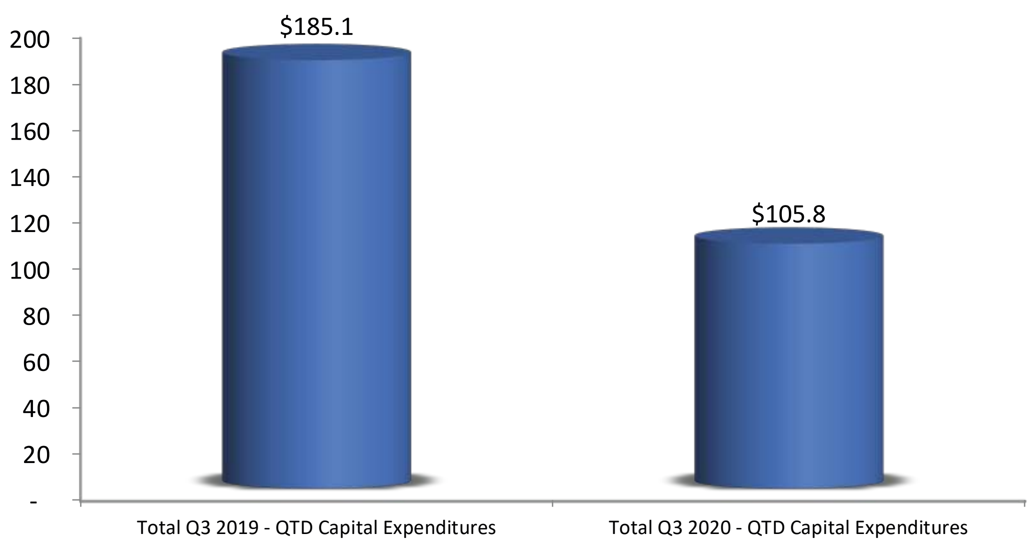
	2019	2020	Difference
Q3 QTD			
Average:			
Interest rate (annual)	14.2%	14.2%	0.0%
Term (months)	121.4	121.4	0.0 months
Down payment on non-upgrade sales (% of price)	18.2%	19.1%	0.9%
Down payment on upgrade sales (% of price)	39.4%	41.6%	2.2%
FICO Score at origination (new sales)	717	711	-6

Source: Deloitte & Touche based on a minimum of 12 company survey responses.

5. Capital expenditures related to timeshare inventory decreased overall in Q3 2020 - QTD when compared to Q3 2019 - QTD.

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 decreased 42.8 percent in Q3 2020 - QTD compared to Q3 2019 - QTD. Of the ten respondents, two respondents increased capital expenditures related to timeshare inventory and eight respondents decreased capital expenditures related to timeshare inventory.

Figure 13. Capital Expenditures (Millions)



Source: Deloitte & Touche based on 10 company survey responses.

6. Impact of COVID-19

In the Q3 2020 – QTD survey, participants were asked specific questions related to the impact of COVID-19 on the Company, which included questions around resort closures, employee furloughs, impairments, and the allowance for loan loss.

Twelve respondents reported total resort closures due to COVID-19 for the nine months ended September 30, 2020 ranged from a minimum of 3 resorts closed to a maximum of 185 resorts. The average number of resorts closed due to COVID-19 is 34 resorts for the nine months ended September 30, 2020 as compared to 32 resorts as previously reported for the six months ended June 30, 2020. The same respondents reported a minimum of 3 resorts to a maximum of 178 resorts of those that closed have since reopened for the nine months ended September 30, 2020. The average number of resorts reopened is 31 resorts for the nine months ended September 30, 2020 as compared to 30 resorts as previously reported for the six months ended June 30, 2020.

Twelve respondents reported total sales center closures due to COVID-19 for the nine months ended September 30, 2020 ranged from a minimum of 1 sales center closed to a maximum of 123 sales centers. The average number of sales centers closed due to COVID-19 is 24 sales centers for the nine months ended September 30, 2020 as compared to 19 sales centers as previously reported for the six months ended June 30, 2020. The same respondents reported a minimum of 1 sales center to a maximum of 98 sales centers of those that closed have since reopened for the nine months ended September 30, 2020. The average number of sales centers reopened is 20 sales centers for the nine months ended September 30, 2020 as compared to 11 sales centers as previously reported for the six months ended June 30, 2020.

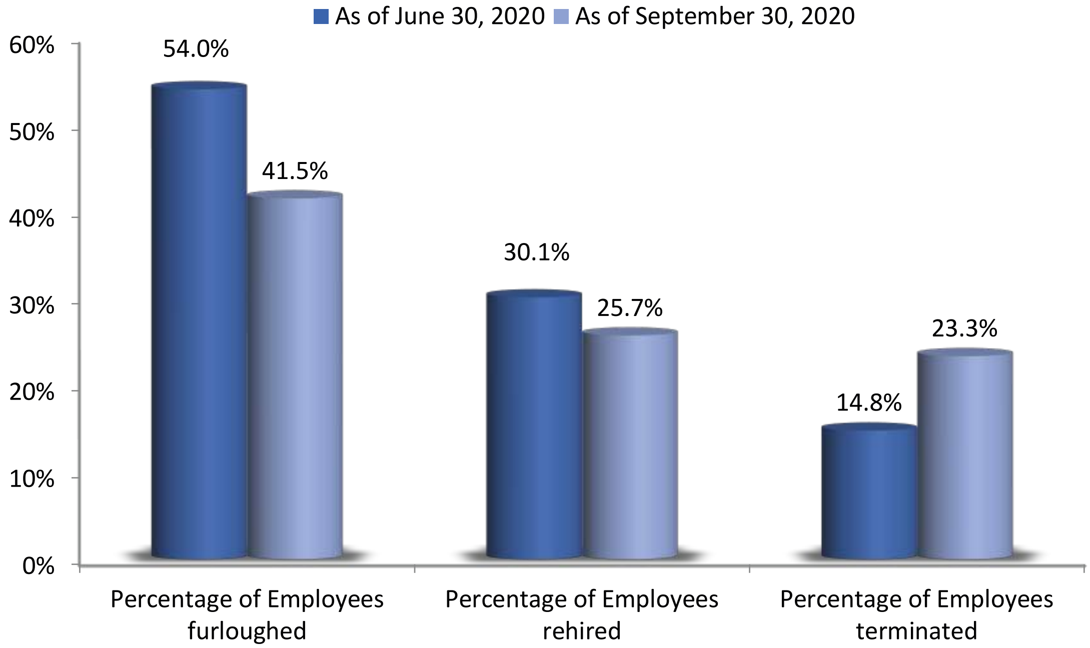
Figure 14. Impact on Resorts and Sales Centers due to COVID-19

	Number Closed	Number Reopened	Percent of Total Closed	Percent of Total Reopened
Resorts				
Minimum	3	3	3.0%	3.0%
Maximum	185	178	100.0%	100.0%
Simple Average	34	31	81.7%	75.1%
Sales Centers				
Minimum	1	1	100.0%	55.0%
Maximum	123	98	100.0%	100.0%
Simple Average	24	20	94.1%	90.4%

Source: Deloitte & Touche based on a minimum of 11 company survey responses.

Eleven respondents reported data around the impact on employment due to COVID-19. On average, 41.5 percent of total employees were furloughed. We defined a furloughed employee as one who was temporarily laid off from work. As of September 30, 2020, 25.7 percent of total employees had been rehired. An average of 23.3 percent of total employees were permanently terminated. See comparison of these metrics to that as of June 30, 2020 as previously reported in *Figure 15* below.

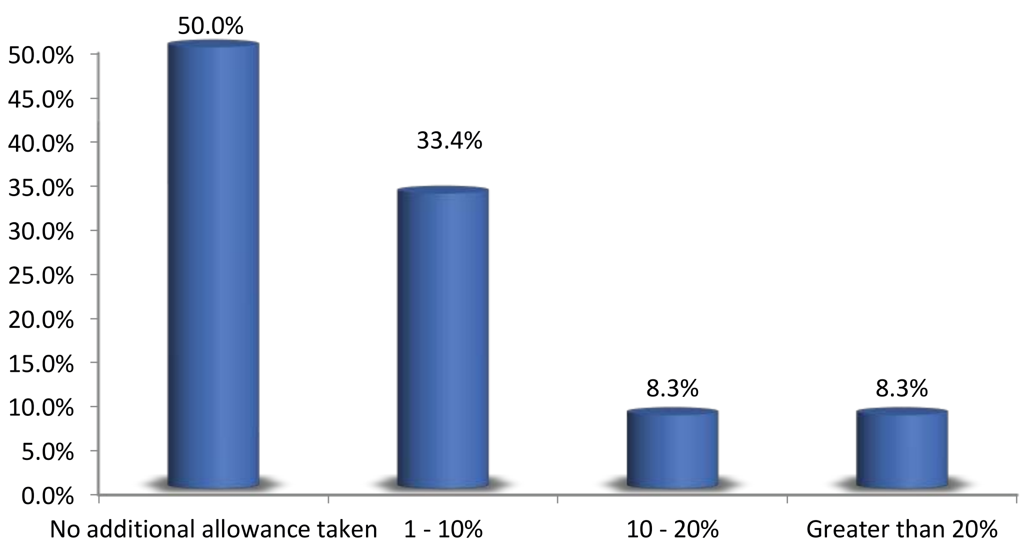
Figure 15. Impact on Employment due to COVID-19



Source: Deloitte & Touche based on 11 company survey responses.

Of the twelve companies who responded to the impact of COVID-19 on the Allowance for Loan Losses, 50.0 percent reported no additional allowance was taken and 33.4 percent reported that the impact was 10 percent or less of the total Allowance balance. The simple average of Additional Allowance for Loan Losses recorded due to COVID-19 as a percentage of total Allowance for all respondents was 6 percent for the three months ended September 30, 2020 as compared to 13 percent for the six months ended June 30, 2020 as previously reported.

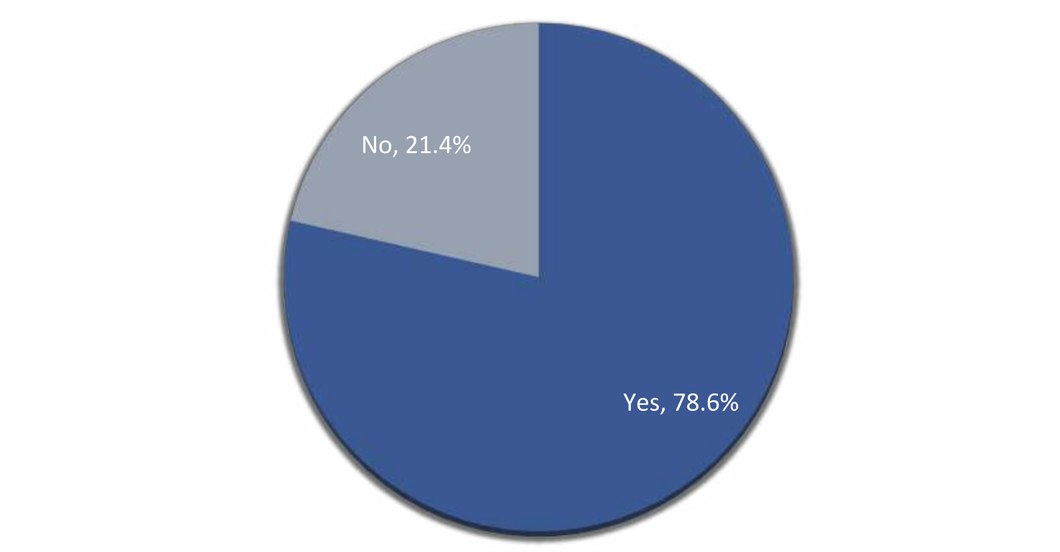
Figure 16. Additional Allowance for Loan Losses recorded due to COVID-19 as a percentage of total Allowance



Source: Deloitte & Touche based on 12 company survey responses.

Approximately seventy nine percent of the respondents reported that they offered a mortgage deferment program to owners due to the impacts of COVID-19 as of September 30, 2020. Six companies had a similar program in which they offered owners a payment deferral up to three months. Specific repayment terms varied by company, for example, some programs deferred the payments to the end of the loan while other programs increased the owner's monthly payment after the deferment period in order to catch up on the loan.

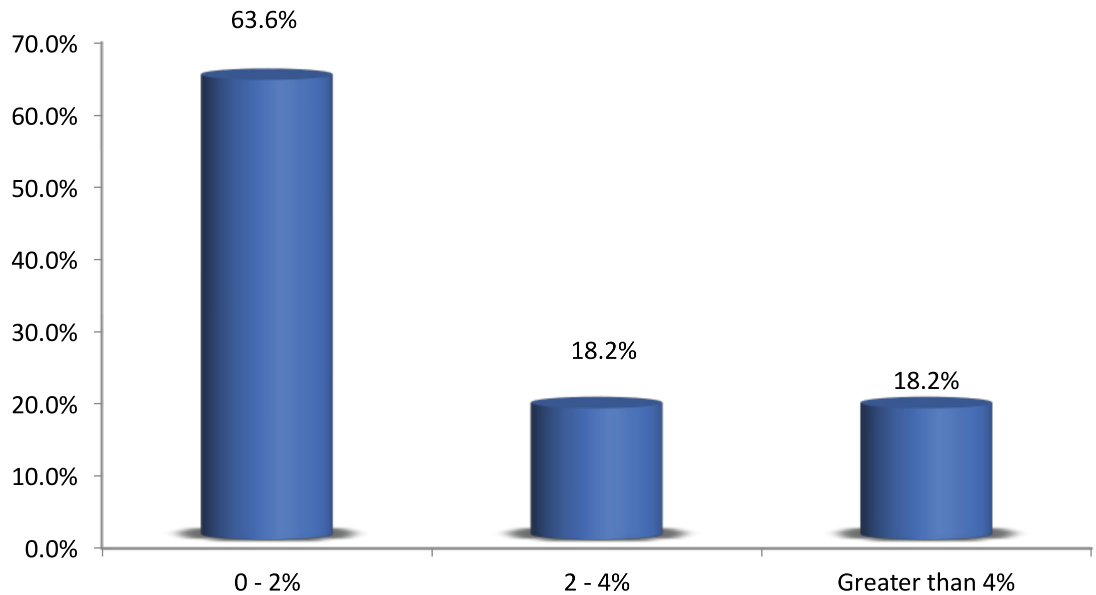
Figure 17. Mortgage Deferment Offered to Owners due to COVID-19



Source: Deloitte & Touche based on 14 company survey responses.

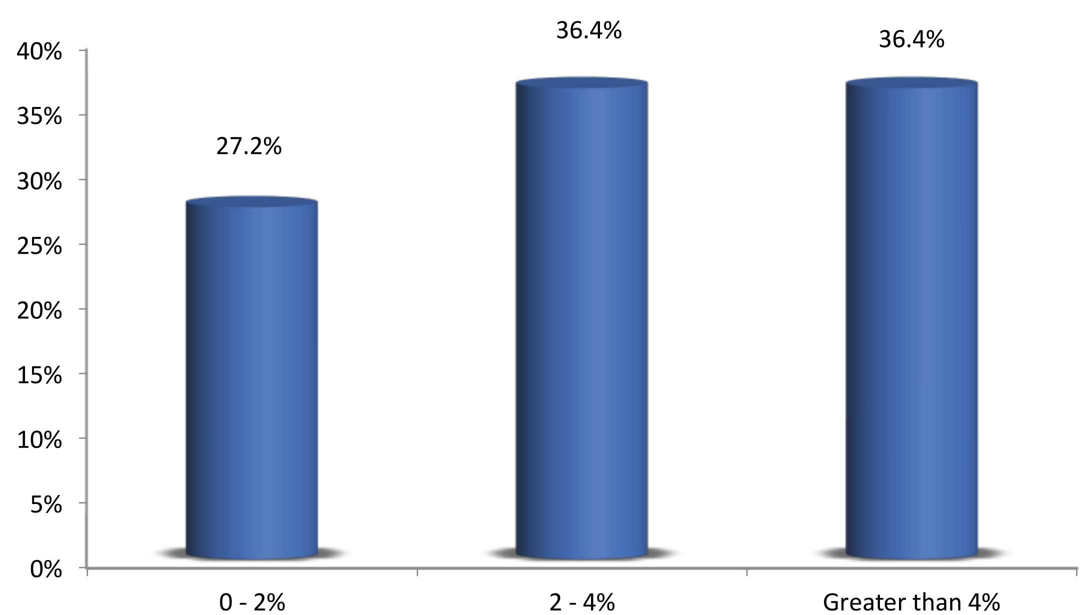
As reported by eleven companies, only a small percentage of owners took advantage of the mortgage deferral programs. Approximately sixty four percent of respondents reported that less than two percent of timeshare owners deferred mortgage payments. Consequentially, only a small portion of the total portfolio balance was impacted by the mortgage deferral programs as well. Of the eleven respondents that responded, 26 percent said that the deferred mortgage payments comprised of less than two percent of the total portfolio balance. The simple average number of owners who took advantage of the program as a percentage of total owners for all respondents was 2.4 percent. The simple average dollar value impact of the deferment program as a percentage of total portfolio for all respondents was 3.5 percent.

Figure 18a. Owners who took advantage of the program as a percentage of total owners



Source: Deloitte & Touche based on 11 company survey responses.

Figure 18b. Dollar value impact of the deferment program as a percentage of total portfolio

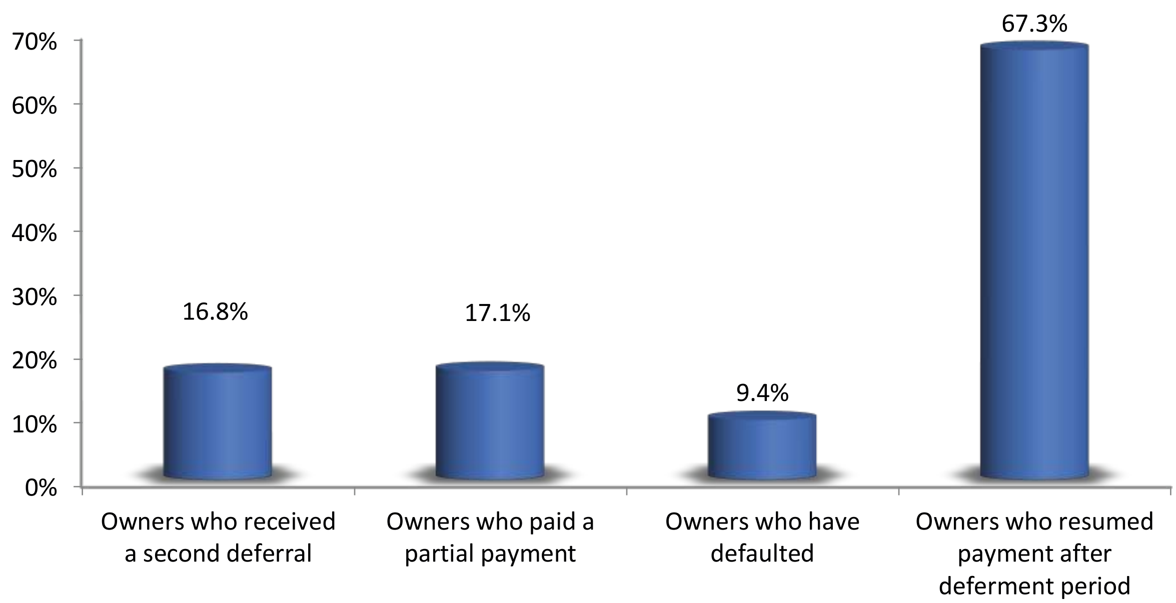


Source: Deloitte & Touche based on 11 company survey responses.

Of the companies who offered owners a mortgage deferral program, we gathered further data on the owners who took advantage of the mortgage deferral program as seen in Figure 18c below.

On average, 16.8 percent of the owners who took advantage of the mortgage deferral program received a second deferral, 17.1 percent paid a partial payment, 9.4 percent have defaulted, and 67.3 percent have resumed payment after deferment period. Note the percentages sum to greater than 100 percent as owners may fall into more than one category.

Figure 18c. Simple Average of Owners as a percentage of total owners with a mortgage deferment



Source: Deloitte & Touche based on a minimum of 8 company survey responses.

Considering the receivables portfolios of only the loans of owners who took advantage of a mortgage deferral program, respondents reported that payments for 75.6 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of September 30, 2020. Further, 2.6 percent of consumer timeshare loan portfolios by dollar value were more than 120 days delinquent as of September 30, 2020.

Figure 18d. Aging of consumer timeshare loan portfolios with a mortgage deferment

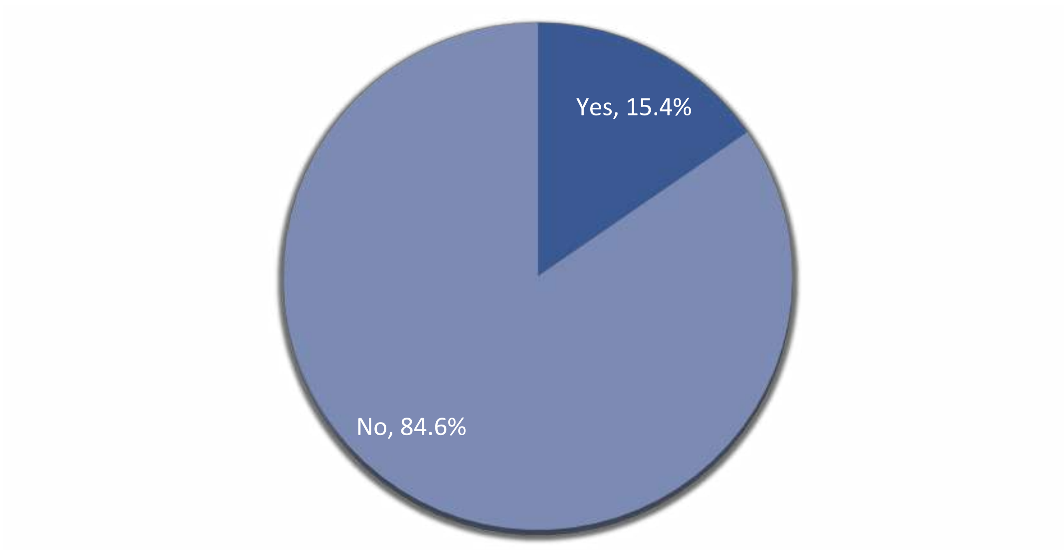
	September 30, 2020
Current	75.6%
31 to 60 days	11.6%
61 to 90 days	7.9%
91 to 120 days	2.2%
More than 120 days	2.6%
Total	**100.0%**

Source: Deloitte & Touche based on 10 company survey responses.

Two of the thirteen respondents impaired assets due to COVID-19 for the three months ended

September 30, 2020. The respondents reported right-of-use assets, leasehold improvements, and other fixed assets as impaired assets. The average impairment was $5.5 million for the three months ended September 30, 2020 as compared to $16.4 million for the six months ended June 30, 2020 as previously reported.

Figure 19. Impairments due to COVID-19



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

The following table shows the quarterly survey results in aggregate.

ARDA International Foundation – September 2020 QTD Pulse Survey					
September 2020 QTD Results	Quarter Ending September 30 2019	Quarter Ending September 30 2020	Increase/ (Decrease)	Increase/ (Decrease) Percent	Survey Responses
General Characteristics					
1. Ownership status (public or private)	Public: 36% Private: 64%	Public: 36% Private: 64%			14
2. Are fee-for-service activities being provided by another developer on your behalf?		Yes: 7% No: 93%			14
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.					
3. Gross outstanding portfolio balance, at period end (in dollars)	$10,595,320,409	$9,589,738,515	($1,005,581,894)	-9.5%	14
4. 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)	88.8%	85.6%	-3.2%	-3.6%	14
Between 31 to 60 days delinquent	1.9%	1.7%	-0.2%	-10.5%	14
Between 61 to 90 days delinquent	1.4%	1.3%	-0.1%	-7.1%	14
Between 91 to 120 days delinquent	1.3%	1.3%	0.0%	0.0%	14
More than 120 days delinquent	6.6%	10.1%	3.5%	53.0%	14
Total should equal 100%	100.0%	100.0%			
5. Gross defaults (total amount charged against the allowance for uncollectible accounts during period as a percentage of gross outstanding portfolio balance at period end)	6.8%	7.3%	0.5%	7.4%	13
6. Average FICO score at origination (on loans in the portfolio at quarter-end, weighted by outstanding principal balance)	708	709	1	0.1%	13
Inventory					
7. Total capital expenditures related to timeshare inventory	$185,063,742	$105,813,805	($79,249,937)	-42.8%	10
Resort Occupancy					
8a/8b. Timeshare occupancy mix by type. Report based on physical occupancy, meaning actual guest check-in occurred. (including rooms at resorts that were closed due to COVID-19)					
Occupied (owner or owners' guest, exchange guest, renter, and marketing guest)	81.7%	52.8%	-28.9%	-35.4%	14

Vacant - please do not include any inventory taken offline due to natural disasters (i.e. hurricanes, fires, etc.) or regular maintenance	18.3%	47.2%	28.9%	158.0%	14
Total should equal 100%					
8c. Timeshare occupancy mix by type. Report based on physical occupancy, meaning actual guest check-in occurred. (excluding rooms at resorts that were closed due to COVID-19)					
Occupied (owner or owners' guest, exchange guest, renter, and marketing guest)		55.9%			12
Vacant - please do not include any inventory taken offline due to natural disasters (i.e. hurricanes, fires, etc.) or regular maintenance		44.1%			12
8d/8e. Market Segment occupancy as of September 30 (Excluding rooms at resorts that were closed due to COVID-19)					
Owner Occupancy	58.0%	58.1%	0.1%	0.2%	13
Non-Owner Occupancy	37.4%	33.6%	-3.8%	-10.2%	13
9. Total available room nights during period (This will be used to calculate the weighted average occupancy rate for the response set.)					
a/b. including rooms at resorts that were closed due to COVID-19	9,756,995	9,989,943	232,948	2.4%	14
c. excluding rooms at resorts that were closed due to COVID-19		6,151,005			12

Selected Sales Metrics (Including telesales and home sits)

Sales metrics. Include telesales in the following responses.					
10. Net originated sales (net of sales incentives and rescissions) (in dollars)	$1,859,884,371	$899,910,433	($959,973,938)	-51.6%	13
11. Net originated sales (net of sales incentives and rescissions) that were new owner sales (in dollars):	$778,325,167	$329,796,665	($448,528,502)	-57.6%	12
12. Net originated sales (net of sales incentives and rescissions) that were existing owner sales (in dollars):	$940,539,341	$535,026,308	($405,513,033)	-43.1%	12
13. Rescissions %	15.8%	12.9%	-2.9%	-18.4%	12
13. Rescissions $	$413,926,709	$155,433,358	($258,493,351)	-62.4%	13
14. Rescissions that were new owner sales %	32.8%	25.0%	-7.8%	-23.8%	11
14. Rescissions that were new owner sales $	$240,512,470	$83,876,557	($156,635,913)	-65.1%	12
15. Rescissions that were existing owner sales %	17.5%	16.7%	-0.8%	-4.6%	12
15. Rescissions that were existing owner sales $	$122,799,732	$66,318,310	($56,481,422)	-46.0%	12

Selected Sales Metrics (Excluding telesales)

Sales metrics. Exclude telesales from the following responses. Include sales to existing owners and other in-house guests.					
16. 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.	733,558	246,440	-487,118	-66.4%	13

17. 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.)	100,140	47,366		-52,774	-52.7%	14
Close rate (excludes sales that are canceled through rescission, calculated based on formula)	14.2%	19.1%		4.9%	34.5%	13
18. Net originated sales (gross sales less incentives and rescissions) excluding telesales	$2,041,561,544	$914,002,387		($1,127,559,157)	-55.2%	14
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)	$2,953	$3,887		$934	31.6%	13
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)	$21,908	$22,608		$700	3.2%	14
19. Total net originated sales (gross sales less incentives and rescissions) for non-owned timeshare inventory sold under fee-for-service agreements	$252,806,273	$90,323,979		($162,482,294)	-64.3%	4
20. Total net originated sales (gross sales less incentives and rescissions) for owned timeshare inventory sold by others under fee-for-service agreements	$1,560,441	$334,764		($1,225,677)	-78.5%	1
Total net originated sales (excluding rescissions, including fee-for-service, excluding fee-for-service sold by others)	$2,111,130,203	$989,899,648		($1,121,230,555)	-53.1%	13
21. Total Rental Revenue	$460,905,151	$211,744,639		($249,160,512)	-54.1%	13

Consumer Financing

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.

22. Average interest rate.	14.2%	14.2%		0.0%	0.0%	14
22. Average term (in months).	121.4	121.4		0.0	0.0%	14
Average down payment.						
24. Average down payment on non-upgrade sales	18.2%	19.1%		0.9%	4.9%	13
25. Average down payment on upgrade sales	39.4%	41.6%		2.2%	5.6%	12
26. Weighted -average FICO score (on new loans, weighted by original principal balance, exclude buyers withouth FICO scores	717	711		(6)	-0.8%	13

Impact of COVID-19

For the following questions regarding Resorts and Sales Centers that have closed, please respond with the total number, including those that have since reopened as of September 30, 2020. For the following questions regarding employees who have been furloughed, please respond with the total number, including those who have been since rehired as of September 30, 2020. We are defining a furloughed employee as a one who is temporarily laid off from work.		
27a. Impact on Resorts due to COVID-19		
Number of Resorts closed	34	12
Number of Resorts reopened	31	12
27b. Impact on Resorts due to COVID-19 as a percentage of total resorts as of February 29, 2020 (pre-COVID-19)		
Percentage of Resorts closed	59%	11
Percentage of Resorts reopened	75%	12
28a. Impact on Sales Centers due to COVID-19		
Number of Sales Centers closed	24	12
Number of Sales Centers reopened	20	12
28b. Impact on Sales Centers due to COVID-19 as a percentage of total sales centers as of February 29, 2020 (pre-COVID-19)		
Percentage of Sales Centers closed	94%	12
Percentage of Sales Centers reopened	90%	12
29. Impact on Employment due to COVID-19. Please consider full time and part time employees when answering this question. The response should be recorded as a percentage of total employees as of February 29, 2020 (pre-COVID-19).		
Number of Employees furloughed	41.5%	11
Number of Employees rehired	25.7%	11
Number of Employees terminated	23.3%	11
30. Additional Allowance for Loan Losses recorded due to COVID-19 as a percentage of total Allowance recorded for the quarter ended September 30, 2020	6.1%	12
31. Was a mortgage deferment program offered to owners due to COVID-19?	Yes: 78.6% No: 21.4%	14
Average number of owners who took advantage of the program as a percentage of total owners.	2.4%	11
The average dollar value impact of the deferment program as a percentage of total portfolio.	3.5%	11
32. Please report the following data as a percentage of total owners who took advantage of a mortgage deferment program as of September 30, 2020		
Percentage of owners who received a second deferral	16.8%	10

Percentage of owners who paid a partial payment	17.1%	8
Percentage of owners who have defaulted	9.4%	10
Percentage of owners who resumed payments after deferment period	67.3%	10
33. At period end September 2020, considering only the loans of owners who took advantage of the mortgage deferment program, what percentage of the dollar amount of this portfolio was:		
Current (current or fewer than 31 days delinquent)	75.7%	9
Between 31 to 60 days delinquent	11.6%	9
Between 61 to 90 days delinquent	7.9%	9
Between 91 to 120 days delinquent	2.2%	9
More than 120 days delinquent	2.6%	5
34. Were there any impairments due to COVID-19?	Yes: 15.4% No: 84.6%	13
The average dollar value impact of the asset impairment.	$5,531,773	1

Method

The 2020 Third Quarter Quarter-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.

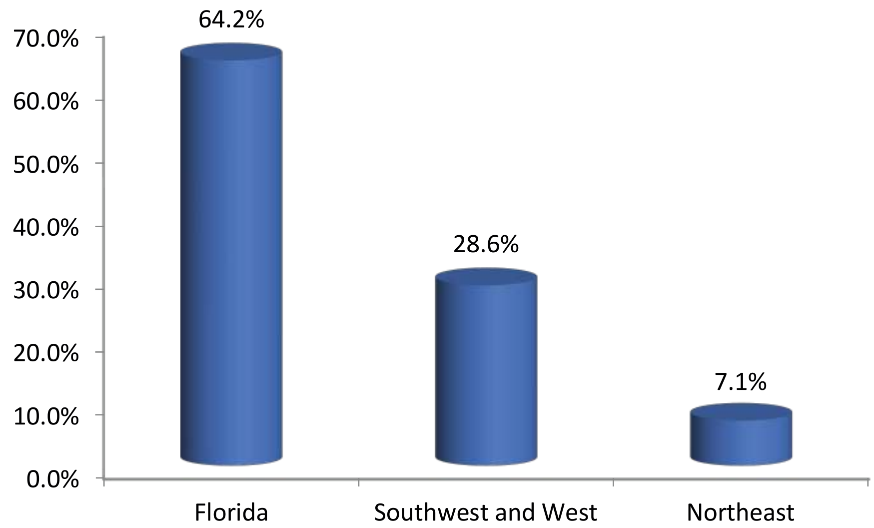
Deloitte & Touche developed the survey instrument in connection with input from ARDA International Foundation and industry participants. Deloitte & Touche distributed the survey directly to 267 timeshare and vacation ownership companies on October 12, 2020. The survey collection efforts focused on companies 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 November 9, 2020. By November 9, 2020, 14 companies, or 5.2 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 14 responses were collected, most questions were not answered by all 14 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 13 respondents that provided sales information reported aggregate Q3 2020 net originated sales, including telesales and excluding fee-for-service arrangements, of $899.9 million. Five of the 14 companies are publicly traded companies, and three of the 14 are affiliated with major hotel brands. 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 seven in Florida, though companies in the Northeast region, and Southwest and West region also responded.[8] No respondents were based in the Southeast (except for Florida), 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 21. Distribution of companies by headquarters location, 2020



Source: Deloitte & Touche based on 14 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 second quarter of 2020. The current Pulse Survey functions similarly as a timely source of information on several key statistics, with a focus on the third quarter quarter-to-date of 2020. 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 Q3 2019 - QTD and Q3 2020 - QTD 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