

ECONOMIC AND FISCAL IMPACTS OF THE

2018

Arizona Timeshare Industry



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Executive Summary

The Arizona 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 Arizona.

As shown in Tables ES-1 and ES-2 below, the timeshare industry in Arizona accounted for 7,897 jobs, \$1.0 billion of output, \$388 million in labor income, and \$53 million in state and local tax revenue.

Table ES-1. Economic Impacts of the Timeshare Industry, 2017
Millions of dollars; Number of part- and full-time jobs

Impact	Direct	Indirect & Induced	2017 Total
Employment	4,369	3,527	7,897
Labor Income	\$224	\$163	\$388
Output	\$551	\$494	\$1,046
State & Local Taxes	\$39	\$14	\$53

Note: Includes impacts related to resort operations, corporate office operations, sales office operations, consumer expenditures, and capital expenditures in 2017. Source: 2018 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 Arizona Timeshare Industry, 2017
Millions of dollars

	State Taxes	Local Taxes	Total Taxes
Resorts	\$10	\$19	\$29
Corporate	\$0	\$0	\$1
Sales & Marketing	\$7	\$5	\$11
Vacation Expenditures	\$7	\$4	\$11
Capital Expenditures	\$1	\$1	\$1
Total	\$25	\$28	\$53

Source: 2018 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 2018. The survey combined both State of the Industry questions and Economic Impact questions in one master survey. The survey data is extrapolated to reflect the timeshare industry in Arizona, excluding fractional resorts, Private Residence Clubs, and Destination Clubs. The identified timeshare resorts in Arizona were sent a survey questionnaire. It is estimated that the 50 resorts have 5,036 units¹.

Table 1. Direct Industry Operations Survey Data for Arizona, 2017

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

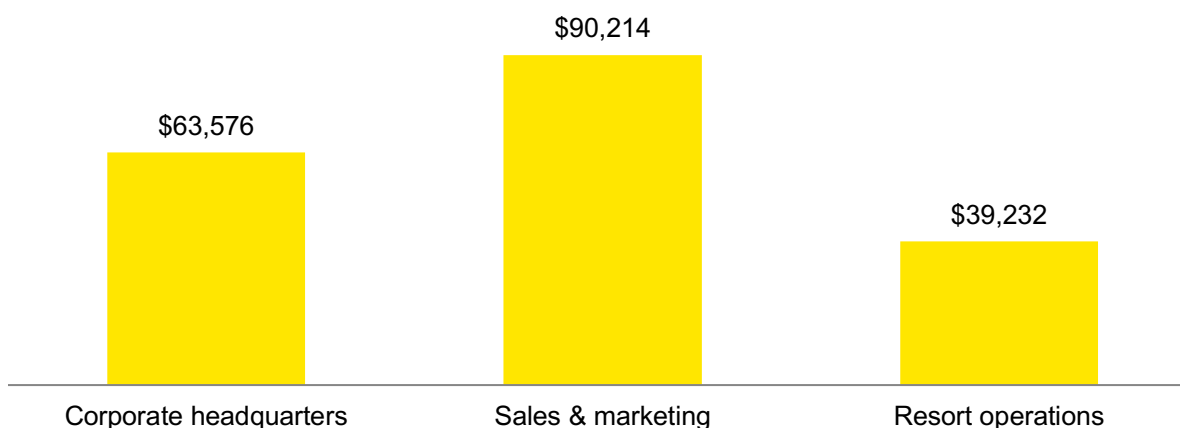
	Employment	Employee Compensation	Economic Output
Resort Operations	2,263	\$89	\$306
Corporate Headquarters	69	\$4	\$9
Sales & Marketing	1,013	\$91	\$126
Total	3,345	\$185	\$440

Note: Does not include off-site vacation expenditures and capital expenditure data.

Source: 2018 US State of the Vacation Timeshare Industry and Economic Impact Survey and EY analysis.

Figure 1. Average Annual Compensation by Industry Function in Arizona, 2017

Including payroll taxes and other benefits



Note: Does not include off-site vacation expenditures and capital expenditure data.

Source: 2018 US State of the Vacation Timeshare Industry and Economic Impact Survey.

¹ AZ makes up 2.5% of the estimated total units in the ARDA National Economic Impact Study population compared to 4% in Appendix A of the 2018 US State of the Vacation Timeshare Industry (SOI) Study. The SOI shows the proportion based on the total units reported by respondents (the sample of 35 AZ resorts).

Table 2. Capital Expenditures in the Arizona Timeshare Industry, 2017
Millions of dollars

Capital Expenditures	Direct Spending
Resort Capital Expenditures	\$14
New Construction	--
Renovation	\$14
Sales and Corporate Capital Expenditures	\$1
New Construction	\$1
Renovation	\$0
Total Capital Expenditures	\$15

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: 2018 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 Arizona 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 Arizona economy.

Table 3. Detailed Vacation Expenditure Spending Data¹

Vacation Spending Data	Average per Party			Total Off-site Spending (\$mil)
	On-Site Spending	Off-Site Spending	Total Spending	
Air transportation services	--	\$355	\$355	\$38
Entertainment and recreation	\$30	\$46	\$76	\$5
Hotels and motel services ²	\$97	\$70	\$167	\$8
Restaurants & bars	\$90	\$190	\$280	\$21
Clothing and clothing accessories	\$67	\$130	\$197	\$14
Groceries	\$65	\$131	\$197	\$14
Ground transit	--	\$31	\$31	\$3
Gasoline stations	--	\$95	\$95	\$10
Miscellaneous	\$24	\$12	\$36	\$1
Rental cars	--	\$122	\$122	\$13
Theme parks & museums	\$33	\$68	\$101	\$7
Fitness & sports	\$16	\$33	\$49	\$4
Total	\$423	\$1,282	\$1,705	\$139
Average spending per person³	\$148	\$448	\$596	

¹Does not include gambling wins and losses.

²Hotel and motel on-site expenditures are captured by the 2018 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.

³Average travel party size is 2.86 people.

Source: 2018 Shared Vacation Ownership Owners Survey, prepared by Leger for AIF.

Economic and Fiscal Impact Results

Using a customized economic model of the Arizona 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 often referred to as the "induced" economic impact.

**Table 4. Direct Economic Output Generated by
Arizona Resort Operations, 2017**
Millions of dollars

	Amount
Rental revenue	\$51
Maintenance fees	\$220
On-site consumer spending	\$35
Direct Economic Output	\$306

Source: 2018 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 Arizona
Corporate, Sales & Marketing Operations, 2017**
Millions of dollars

	Corporate Headquarters	Sales & Marketing
Labor income	\$4	\$91
Non-labor operating expenses	\$4	\$30
Profits	\$1	\$4
Direct Economic Output	\$9	\$126

Source: 2018 US State of the Vacation Timeshare Industry and Economic Impact, IRS Income Statistics, BEA, and EY analysis.

**Table 6. Detailed Economic Impacts of the Arizona Timeshare Industry,
by Function, 2017**

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

Output	Direct	Indirect & Induced	Total
Industry Operations	\$440	\$393	\$834
Resorts	\$306	\$250	\$556
Corporate	\$9	\$10	\$18
Sales and Marketing	\$126	\$134	\$259
Vacation Expenditures	\$100	\$91	\$192
Capital Expenditures	\$10	\$10	\$20
Total	\$551	\$494	\$1,046

Employment	Direct	Indirect & Induced	Total
Industry Operations	3,345	2,821	6,165
Resorts	2,263	1,795	4,057
Corporate	69	67	136
Sales and Marketing	1,013	959	1,972
Vacation Expenditures	957	638	1,594
Capital Expenditures	68	69	137
Total	4,369	3,527	7,897

Income	Direct	Indirect & Induced	Total
Industry Operations	\$185	\$130	\$315
Resorts	\$89	\$83	\$172
Corporate	\$4	\$3	\$8
Sales and Marketing	\$92	\$44	\$136
Vacation Expenditures	\$35	\$30	\$65
Capital Expenditures	\$4	\$3	\$7
Total	\$224	\$163	\$388

Note: Labor income includes employee compensation shown in Table 1 and proprietor income.
Source: 2018 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 Arizona Timeshare Industry by Function, 2017
Millions of dollars

	State Taxes	Local Taxes	Total Taxes
Property Tax	\$2	\$16	\$18
Resorts	\$2	\$11	\$12
Corporate	\$0	\$0	\$0
Sales and Marketing	\$0	\$3	\$4
Vacation Expenditures	\$0	\$1	\$2
Capital Expenditures	\$0	\$0	\$0
General Sales Tax	\$13	\$6	\$19
Resorts	\$4	\$2	\$6
Corporate	\$0	\$0	\$0
Sales and Marketing	\$3	\$1	\$4
Vacation Expenditures	\$5	\$2	\$7
Capital Expenditures	\$1	\$0	\$1
Other Taxes	\$10	\$7	\$16
Resorts	\$5	\$6	\$11
Corporate	\$0	\$0	\$0
Sales and Marketing	\$3	\$0	\$3
Vacation Expenditures	\$1	\$0	\$2
Capital Expenditures	\$0	\$0	\$0
Total	\$25	\$28	\$53

Source: 2018 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 Arizona Timeshare Industry by Tax Type, 2017
Millions of dollars

	State Taxes	Local Taxes	Total Taxes
Property taxes	\$2	\$16	\$18
General sales taxes	\$13	\$6	\$19
Occupancy taxes	--	\$6	\$6
Excise taxes	\$3	\$0	\$3
License taxes	\$1	\$0	\$1
Corporate Income tax	\$1	--	\$1
Individual Income tax	\$5	--	\$5
Medicare and SSI tax	--	--	--
Misc. taxes	\$0	\$1	\$1
Total taxes	\$25	\$28	\$53

Source: 2018 US State of the Vacation Timeshare Industry and Economic Impact Survey, IRS Income Statistics, BEA, and EY analysis using the IMPLAN input-output model.