

Pulse Survey



A SURVEY OF TIMESHARE AND VACATION
OWNERSHIP RESORT COMPANIES

2018
Q2



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 *2018 Second Quarter 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 April 6, 2018, 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 July 27, 2018. Accordingly, changes in circumstances after that date could affect the findings outlined in this report.

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A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

August 24, 2018



Pulse Survey

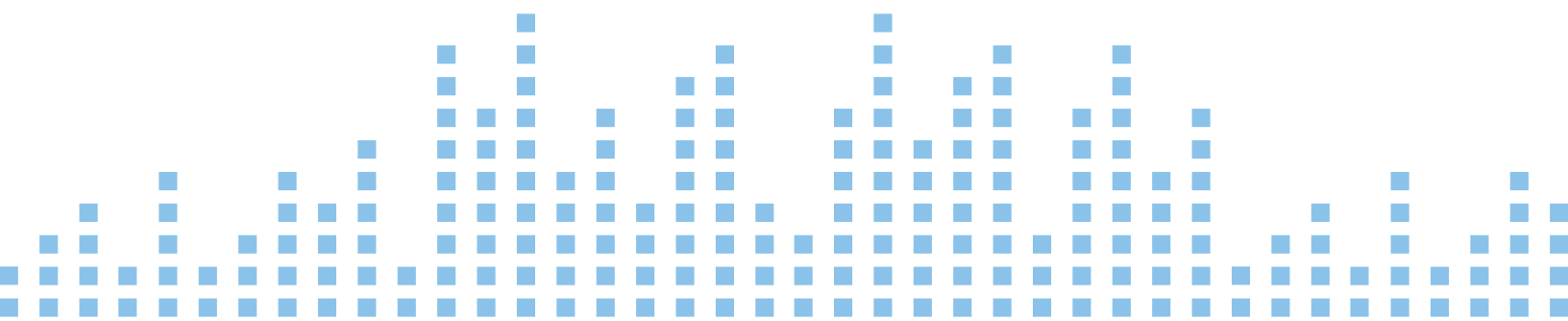
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Although the information in this report has been obtained from sources that Deloitte & Touche LLP believes to be reliable, we do not guarantee its accuracy, and such information may be incomplete. This report is for information purposes only.

All opinions and estimates included in this report constitute our judgment as of July 27, 2018 and are subject to revision.



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2018 Second Quarter 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 2018 survey of U.S. timeshare companies that were in active sales during the quarter. The results cover a total of 16 responding companies with aggregate net originated sales of approximately \$1,741 million in the second quarter of 2018 for the 15 respondents that provided sales information. The financial information contained in this survey includes the second quarter of 2018 (Q2 2018) compared to the second quarter of 2017 (Q2 2017), except for section 2(B) which compares Q2 2018 to the first quarter of 2018 (Q1 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 6.0 percent from Q2 2017 to Q2 2018, increasing from \$1,642.0 million to \$1,741.3 million.	 Increase
Net Originated Timeshare Sales (excluding Rescissions, including Telesales and Fee-for-service) increased 6.8 percent from Q2 2017 to Q2 2018, increasing from \$1,872.6 million to \$1,999.9 million.	 Increase
Sales Metrics	
Weighted Average Transaction Value increased 1.4 percent from \$20,351 in Q2 2017 to \$20,635 in Q2 2018. (The simple average transaction value increased 0.7 percent from \$19,025 in Q2 2017 to \$19,165 in Q2 2018.)	 Increase
Weighted Average Volume Per Guest (VPG) increased 1.6 percent from \$2,812 to \$2,857 from Q2 2017 to Q2 2018. (The simple average VPG increased 2.9 percent from \$2,674 in Q2 2017 to \$2,751 in Q2 2018.)	 Increase
Tours increased 3.7 percent from 671,998 to 696,882 tours from Q2 2017 to Q2 2018.	 Increase
Portfolio Performance	
Currency decreased by 0.7 percentage points (or 0.8 percent), decreasing from 91.5 percent in Q2 2017 to 90.8 percent in Q2 2018.	 Decrease

<u>Delinquencies</u> increased by 0.7 percentage points (or 8.2 percent), increasing from 8.5 percent in Q2 2017 to 9.2 percent in Q2 2018.	 Increase
<u>Charge-Offs</u> increased by 0.2 percentage point (or 3.9 percent), increasing from 5.1 percent in Q2 2017 to 5.3 percent in Q2 2018.	 Increase
Consumer Finance Experience	
<u>Interest Rates</u> increased by 0.1 percentage points (or 0.7 percent), increasing from 13.7% to 13.8% from Q2 2017 to Q2 2018.	 Increase
<u>Weighted Average Term</u> increased by 0.1 percent, increasing from 199.9 to 120.0 from Q2 2017 to Q2 2018.	 Increase
<u>Down Payments on non-upgrade sales</u> decreased 1.2 percentage points (or 6.3 percent), from 19.0 percent in Q2 2017 to 17.8 percent in Q2 2018.	 Decrease
<u>Down Payments on upgrade sales</u> decreased 0.9 percentage points (or 2.1 percent), decreasing from 42.2 percent in Q2 2017 to 41.3 percent in Q2 2018.	 Decrease
Other Metrics	
<u>Weighted Average Occupancy</u> increased 0.3 percentage points (or 0.4 percent), increasing from 81.5 percent in Q2 2017 to 81.8 percent in Q2 2018.	 Increase
<u>Capital Expenditures</u> decreased 33.5 percent from Q2 2017 to Q2 2018, decreasing from \$308.5 million to \$205.1 million.	 Decrease

Survey Results

The following summarizes the survey results.

1. Timeshare sales volume increased in Q2 2018.

Companies provided data on a set of key sales indicators. In total, the 15 respondents that provided sales information reported approximately \$1,741.3 million in net originated timeshare sales¹ (including telesales) in Q2 2018. This was a 6.0 percent increase in Q2 2018 when compared to Q2 2017, as reported by the same respondents.

Figure 1. Net originated sales including telesales (Millions)



Source: Deloitte & Touche based on 15 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 16 respondents, four companies are selling and marketing timeshare on behalf of other developers. No companies are engaging others to sell and market timeshare on their behalf. All four respondents providing fee-for-service increased fee-for-service operations in Q2 2018 compared to Q2 2017. The net overall timeshare sales under these arrangements increased from \$230.6 million in Q2 2017 to \$258.5 million in Q2 2018, or an increase of 12.1 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 6.8 percent in total net originated timeshare sales when compared to Q2 2017.

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 15 company survey responses for net originated sales and 4 respondents reported providing fee-for-service arrangements.

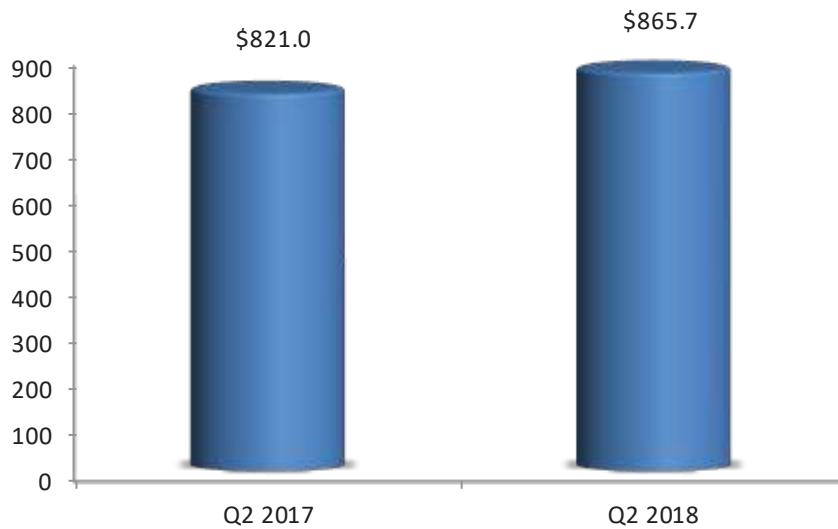
Respondents were asked to report the amount of net originated sales (including telesales) that were non existing owner and existing owner sales. The 14 respondent companies that provided new owner sales information reported approximately \$730.3 million in new owner net originated timeshare sales (including telesales) in Q2 2018, which is a 7.3 percent increase from Q2 2017, see *Figure 3* below. The 14 respondent companies that provided existing owner sales information reported approximately \$865.7 million in existing owner net originated timeshare sales (including telesales) in Q2 2018, which is a 5.4 percent increase from Q2 2017, 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 15 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 14 company survey responses.

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



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

Fifteen 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 tours² increased 3.7 percent, the aggregate number of sales transactions increased 5.9 percent, and the weighted average transaction value increased 1.4 percent. The respondents reported an increase in net inventory sold under fee-for-service arrangements of 12.1 percent.

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.

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 biennials³, 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 Q2 2017 and seven 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

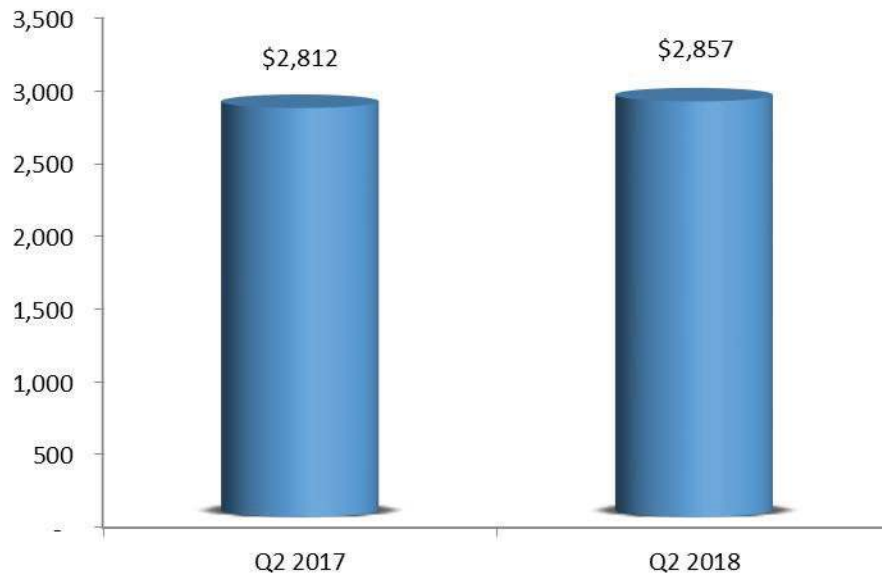


Source: Deloitte & Touche based on 15 company survey responses.

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, increased by 1.6 percent from Q2 2017 to Q2 2018.

Figure 6. Weighted average volume per guest

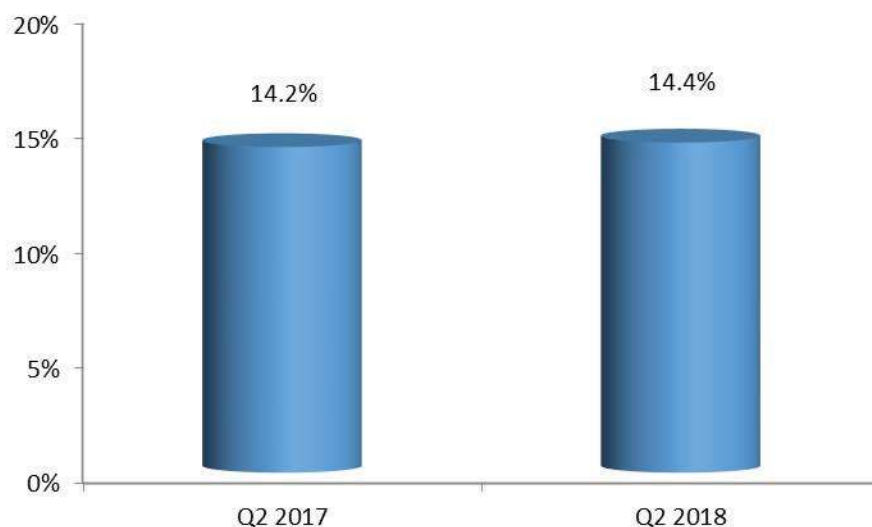


Source: Deloitte & Touche based on 15 company survey responses.

The close rate, another measure of sales efficiency, is the number of sales transactions generated from tour flow, increased by 0.2 percentage points (1.4 percent) from Q2 2017 to Q2 2018.

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 15 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 2017	Weighted Average Q2 2018	Simple Average Q2 2017	Simple Average Q2 2018
Volume per guest	\$2,812	\$2,857	\$2,674	\$2,751
Average transaction value	\$20,351	\$20,635	\$19,025	\$19,165
Close rate	14.2%	14.4%	14.1%	14.4%

Source: Deloitte & Touche based on 15 company survey responses

Among the companies that provided key sales indicators, 15 provided rescission information. The weighted average rescission rate⁵ among those companies was 16.7 percent in Q2 2018, which was an increase of 2.5 percentage points from 14.2 percent for Q2 2017. Three companies reported a decrease in rescissions between Q2 2017 and Q2 2018, ten companies reported an increase in rescissions, and two companies reported no change. The simple average rescission rate increased 1.3 percentage points from 12.9 percent to 14.2 percent from Q2 2017 to Q2 2018. Further, respondents were asked to provide the rescission volume in dollars. For the 14 companies that provided this information for Q2 2017 and Q2 2018, the total aggregate rescissions increased by 12.8 percent from \$328.3 million to \$370.3 million in Q2 2018.

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 14 respondent companies that provided rescission information on new owner sales, the weighted average rescission rate increased from 26.7 percent in Q2 2017 to 29.6 percent in Q2 2018. Further, 12 respondents provided rescission information on new owner sales in dollars resulting in an increase of 24.2 percent in the total aggregate rescission volume from approximately \$141.3 million to approximately \$175.5 million from Q2 2017 to Q2 2018. For the 14 respondent companies that provided rescission information on existing owner sales, the weighted average rescission rate decreased from 13.8 percent in Q2 2017 to 13.6 percent in Q2 2018. Further, 12 respondents provided rescission information on existing owner sales in dollars resulting in an increase of 2.5 percent in the total aggregate rescission volume from \$107.2 million to \$109.9 million from Q2 2017 to Q2 2018.

Respondents were asked a question related to owner growth rate over the prior year. For the 14 respondent companies that provided owner growth rate over the prior year, the weighted average owner growth rate increased from 1.1 percent in Q2 2017 to 3.6 percent in Q2 2018.

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 increased 15.8 percent from \$359.7 million in Q2 2017 to \$416.5 million in Q2 2018.

2(A). Consumer timeshare loan portfolio delinquencies and charge-offs increased when comparing Q2 2017 and Q2 2018.

The composition of receivables portfolios⁶ was evaluated as of June 30, 2018, and compared to the composition as of June 30, 2017. The total aggregate receivables for the 16 companies that provided receivables data was \$13.2 billion as of June 30, 2018, and \$12.6 billion as of June 30, 2017.

Respondents reported that payments for 90.8 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of June 30 2018, a decrease of 0.7 percentage points from one year earlier. Also, as of June 30, 2018, 5.5 percent of consumer timeshare loan portfolios by dollar value were more than 120 days delinquent, an increase of 0.9 percentage points compared to one year earlier.

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

	June 30, 2017	June 30, 2018	Difference
Current	91.5%	90.8%	(0.7%)
31 to 60 days	1.7%	1.5%	(0.2%)
61 to 90 days	1.2%	1.2%	0.0%
91 to 120 days	1.0%	1.0%	0.0%
More than 120 days	4.6%	5.5%	0.9%
Total	100.0%	100.0%	

Source: Deloitte & Touche based on 16 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 2018 was 5.3 percent, which was an increase of 0.2 percentage points compared to one year earlier. Of the sixteen respondents, six respondents reported a decrease in the default rate when comparing Q2 2018 to Q2 2017, nine 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 Q2 2017 and Q2 2018. Of the fifteen respondents, eight respondents reported an increase in the weighted average FICO score and seven respondents reported a decrease. The result was an increase in the weighted average FICO score from 706 at Q2 2017 to 712 at Q2 2018.

2(B). Consumer timeshare loan portfolios experienced a decrease in currency when comparing Q1 2018 and Q2 2018.

The composition of receivables portfolios was evaluated as of June 30, 2018, and compared to the composition as of March 31, 2018. The total aggregate receivables for the companies that provided receivables data was \$13.2 billion as of June 30, 2018 and \$13.0 billion as of March 31, 2018.

Receivables portfolios showed a decrease in delinquencies (greater than 30 days past due) as of June 30, 2018, compared to one quarter earlier. Respondents reported that payments for 90.8 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of June 30, 2018, which was 0.8 percentage points higher than one quarter earlier. Further, for the quarter ending June 30, 2018, 5.3 percent of consumer timeshare loan portfolios by dollar value were charged against the allowance for the period, which was 0.2 percentage points higher compared to March 31, 2018.

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

	March 31, 2018	June 30, 2018	Increase/(Decrease)
Current	90.0%	90.8%	0.8%
31 to 60 days	2.0%	1.5%	(0.5%)
61 to 90 days	1.3%	1.2%	(0.1%)
91 to 120 days	1.0%	1.0%	0.0%
More than 120 days	5.7%	5.5%	0.2%
Total	100.0%	100.0%	

Source: Deloitte & Touche based on 16 company survey responses. The First Quarter 2018 data herein was based upon the 17 responses obtained from the 2018 First Quarter Pulse Survey.

3. Resort occupancy increased 0.3 percentage points (or 0.4 percent) as compared to Q2 2017.

Survey respondents were asked to provide information on timeshare unit occupancy. For the 15 companies that provided quarterly occupancy data, representing approximately 9.2 million available room nights in Q2 2018, the average occupancy rate increased 0.3 percentage points to 81.8 percent in Q2 2018, compared to 81.5 percent in Q2 2017. Available room nights increased 1.8 percent from Q2 2017 to Q2 2018; increasing from approximately 9.1 million room nights to approximately 9.2 million room nights.

4. Average down payment on upgrade sales and non-upgrade sales decreased in Q2 2018. Average term, interest rate, and FICO score on new loans increased in Q2 2018.

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 2018 was 13.8 percent, which was an increase of 0.1 percent from Q2 2017. The Q2 2018 average loan terms increased from Q2 2017 from 119.9 months to 120.0 months. The average FICO score for financed sales during Q2 2018 increased from 721 in Q2 2017 to 723 in Q2 2018.

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 decreased 1.2 percentage points to 17.8 percent of the stated sales price on financed sales in Q2 2018 compared to 19.0 in Q2 2017. For the 14 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 41.3 percent in Q2 2018, a decrease of 0.9 percentage points from Q2 2017.

Figure 11. Characteristics of consumer timeshare loan financing

	2017	2018	Difference
Second Quarter			
Average:			
Interest rate (annual)	13.7%	13.8%	0.1%
Term (months)	119.9	120.0	0.1 months
Down payment on non-upgrade sales (% of price)	19.0%	17.8%	(1.2%)
Down payment on upgrade sales (% of price)	42.2%	41.3%	(0.9%)
FICO Score at new loans	721	723	2

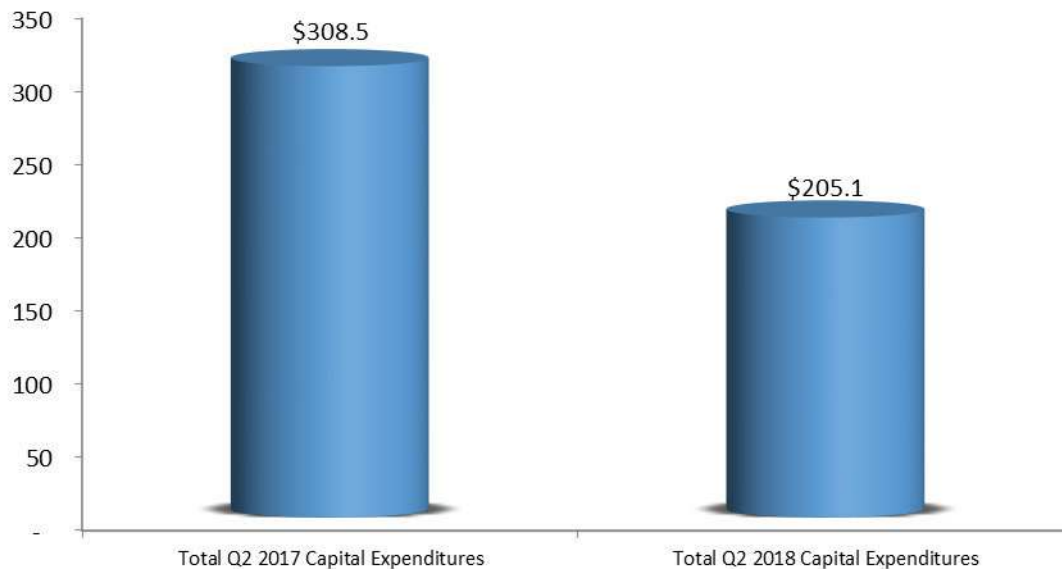
Source: Deloitte & Touche based on a minimum of 14 company survey responses.

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 decreased overall in Q2 2018 when compared to Q2 2017.

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 by 33.5 percent in Q2 2018 compared to Q2 2017. Of the twelve respondents, five 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 12 company survey responses.

The following table shows the quarterly survey results in aggregate.

ARDA International Foundation – 2018 Second Quarter Pulse Survey

2018 Second Quarter End Results	Quarter Ending 30-Jun-17	Quarter Ending 30-Jun-18	Increase/ (Decrease)	Increase/ (Decrease) Percent	Survey Responses
General Characteristics					
1. Ownership status (public or private)	Public: 38% Private: 63%	Public: 44% Private: 56%			16
2. Are fee-for-service activities being provided by another developer on your behalf?	Yes: 6% No: 94%	Yes: 0% No: 100%			16
3. Did you complete any acquisitions? (Business Combinations)	Yes: 0% No: 100%	Yes: 19% No: 81%			16
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)	\$12,552,576,785	\$13,199,394,653	\$646,817,868	5.2%	16
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)	91.5%	90.8%	(0.7%)	(0.8%)	16
Between 31 to 60 days delinquent	1.7%	1.5%	(0.2%)	(11.8%)	16
Between 61 to 90 days delinquent	1.2%	1.2%	0.0%	0.0%	16
Between 91 to 120 days delinquent	1.0%	1.0%	0.0%	0.0%	16
More than 120 days delinquent	4.6%	5.5%	0.9%	19.6%	16
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%	5.3%	0.2%	3.9%	16
7. Average FICO score at Origination (on loans in the portfolio at quarter-end, weighted by outstanding principal balance)	706	712	6	0.8%	15
Inventory					
8. Capital expenditures related to timeshare inventory (current year)	\$308,501,871	\$205,087,902	(\$103,413,969)	(33.5%)	12
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)	81.5%	81.8%	0.3%	0.4%	15
b. Vacant	18.5%	18.2%	(0.3%)	(1.6%)	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.)	9,080,391	9,245,033	164,642	1.8%	15

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)	\$1,642,039,861	\$1,741,341,981	\$99,302,120	6.0%	15
12. Net originated sales that were new owner sales (net of sales incentives and rescissions):	\$680,891,670	\$730,296,851	\$49,405,181	7.3%	14
13. Net originated sales that were existing owner sales (net of sales incentives and rescissions):	\$820,976,731	\$865,697,443	\$44,720,712	5.4%	14
14. Rescissions (%)	14.2%	16.7%	2.5%	17.6%	15
Rescissions (\$)	\$328,342,019	\$370,320,283	\$41,978,264	12.8%	14
15. Rescissions that were new owner sales (%)	26.7%	29.6%	2.9%	10.9%	14
Rescissions that were new owner sales (\$)	\$141,349,131	\$175,503,709	\$34,154,578	24.2%	12
16. Rescissions that were existing owner sales (%)	13.8%	13.6%	(0.2%)	(1.5%)	14
Rescissions that were existing owner sales (\$)	\$107,243,372	\$109,901,015	\$2,657,643	2.5%	12
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)	1.1%	3.6%	2.5%	227.3%	14

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.	671,998	696,882	24,884	3.7%	15
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.)	94,440	100,029	5,589	5.9%	15
Close rate (excludes sales that are canceled through rescission, calculated based on formula)	14.2%	14.4%	0.2%	1.4%	15
20. Net originated sales excluding telesales (gross less sales incentives and rescissions)	\$1,796,737,944	\$1,917,029,397	\$120,291,453	6.7%	15
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)	\$2,812	\$2,857	\$45	1.6%	15
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)	\$20,351	\$20,635	\$284	1.4%	15
21. Total net originated sales (gross sales less sales incentives and rescissions) for non-owned timeshare inventory sold under fee-for-service agreements	\$230,550,102	\$258,511,629	\$27,961,527	12.1%	4
22. Total net originated sales (gross sales less sales incentives and rescissions) for owned timeshare inventory sold by others under fee-for-service agreements	\$0	\$0	\$0	0.0%	0
Total net originated sales (excluding rescissions, including fee-for-service, excluding fee-for-service sold by others)	\$1,872,589,963	\$1,999,853,610	\$127,263,647	6.8%	15
23. Total Rental Revenue	\$359,697,137	\$416,506,673	\$56,809,536	15.8%	14

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.

24. Average interest rate.	13.7%	13.8%	0.1%	0.7%	15
25. Average term (in months).	119.9	120.0	0.1%	0.1%	15
Average down payment.					
26. Average down payment on non-upgrade sales	19.0%	17.8%	(1.2%)	(6.3%)	14
27. Average down payment on upgrade sales	42.2%	41.3%	(0.9%)	(2.1%)	14
28. Weighted Average FICO Score (on new loans, weighted by original principal balance, exclude buyers without FICO scores)	721	723	2	0.3 %	15

Method

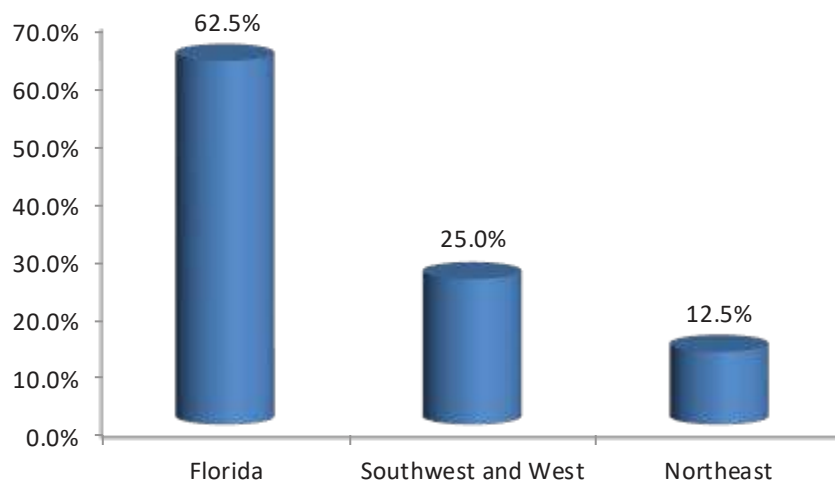
The 2018 Second Quarter Pulse Survey was conducted by Deloitte & Touche on the behalf of ARDA International Foundation. The purpose of the research was to compile current data and to provide a current perspective on the timeshare industry's financial performance.

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 9, 2018. 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 July 27, 2018. By July 27, 2018, 16 companies, or 6.0 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 16 responses were collected, most questions were not answered by all 16 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 2018 net originated sales, including telesales and excluding fee-for-service arrangements, of \$1,741.3 million. Seven of the 16 companies are publicly traded companies, and five of the 16 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 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.

Figure 14. Distribution of companies by headquarters location, 2018



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

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).

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 first 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 of 2018. 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 2017 and Q2 2018 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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