

Pulse Survey



A SURVEY OF TIMESHARE AND VACATION
OWNERSHIP RESORT COMPANIES

2018
Q4



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 Fourth 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 February 1, 2019. Accordingly, changes in circumstances after that date could affect the findings outlined in this report.

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Deloitte & Touche LLP

February 22, 2019



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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 February 1, 2019 and are subject to revision.



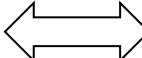
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2018 Fourth Quarter Pulse Survey Overview and Key Findings

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 fourth quarter 2018 survey of U.S. timeshare companies that were in active sales during the quarter. The results cover a total of 17 responding companies with aggregate net originated sales of approximately \$1,697.0 million in the fourth quarter of 2018 for the 16 respondents that provided sales information. The financial information contained in this survey includes the fourth quarter of 2018 (Q4 2018) compared to the fourth quarter of 2017 (Q4 2017), except for section 2(B) which compares Q4 2018 to the third quarter of 2018 (Q3 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	
<u>Net Originated Timeshare Sales (net of sales incentives and rescissions) including Telesales</u> increased 5.2 percent from Q4 2017 to Q4 2018, increasing from \$1,612.8 million to \$1,697.0 million.	 Increase
<u>Net Originated Timeshare Sales (excluding Rescissions, including Telesales and Fee-for-service)</u> increased 5.3 percent from Q4 2017 to Q4 2018, increasing from \$1,841.1 million to \$1,938.6 million.	 Increase
Sales Metrics	
<u>Weighted Average Transaction Value</u> increased 2.1 percent from \$20,865 in Q4 2017 to \$21,306 in Q4 2018. (The simple average transaction value increased 2.4 percent from \$19,532 in Q4 2017 to \$20,009 in Q4 2018.)	 Increase
<u>Weighted Average Volume Per Guest (VPG)</u> increased 0.7 percent from \$3,035 to \$3,057 from Q4 2017 to Q4 2018. (The simple average VPG increased 1.6 percent from \$2,907 in Q4 2017 to \$2,953 in Q4 2018.)	 Increase
<u>Tours</u> increased 4.1 percent from 607,415 to 632,477 tours from Q4 2017 to Q4 2018.	 Increase
Portfolio Performance	
<u>Currency</u> decreased by 0.5 percentage points (or 0.6 percent), decreasing from 90.3 percent in Q4 2017 to 89.8 percent in Q4 2018.	 Decrease
<u>Delinquencies</u> increased by 0.5 percentage points (or 5.2 percent), increasing from 9.7 percent in Q4 2017 to 10.2 percent in Q4 2018.	 Increase

Charge-Offs decreased by 0.5 percentage point (or 9.8 percent), decreasing from 5.1 percent in Q4 2017 to 4.6 percent in Q4 2018.	 Decrease
Consumer Finance Experience	
Interest Rates increased by 0.2 percentage points (or 1.5 percent), increasing from 13.6% to 13.8% from Q4 2017 to Q4 2018.	 Increase
Weighted Average Term increased by 1.4 percent, increasing from 119.3 to 121.0 from Q4 2017 to Q4 2018.	 Increase
Down Payments on non-upgrade sales decreased 0.5 percentage points (or 2.7 percent), from 18.4 percent in Q4 2017 to 17.9 percent in Q4 2018.	 Decrease
Down Payments on upgrade sales stayed consistent from Q4 2017 to Q4 2018 at 43.7 percent.	 No Change
Other Metrics	
Weighted Average Occupancy decreased 0.1 percentage points (or 0.1 percent), decreasing from 77.6 percent in Q4 2017 to 77.5 percent in Q4 2018.	 Decrease
Capital Expenditures increased 8.4 percent from Q4 2017 to Q4 2018, increasing from \$209.9 million to \$227.5 million.	 Increase

Survey Results

The following summarizes the survey results.

1. Timeshare sales volume increased in Q4 2018.

Companies provided data on a set of key sales indicators. In total, the 16 respondents that provided sales information reported approximately \$1,697.0 million in net originated timeshare sales¹ (including telesales) in Q4 2018. This was a 5.2 percent increase in Q4 2018 when compared to Q4 2017, as reported by the same respondents.

Figure 1. Net originated sales including telesales (Millions)



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

Fee-for-service arrangements have become an established feature within the industry over the last decade. Respondents were asked a question related to sales for non-owned timeshare inventory sold under fee-for-service agreements as well as sales for owned timeshare inventory sold by others under fee-for-service agreements. Of the 17 respondents, four companies are selling and marketing timeshare on behalf of other developers while one company is engaging others to sell and market timeshare on their behalf. Two of the four respondents providing fee-for-service increased fee-for-service operations in Q4 2018 compared to Q4 2017, and the respondent being provided fee-for-service also increased fee-for-service operations in Q4 2018 compared to Q4 2017. The net overall timeshare sales under these arrangements increased from \$232.3 million in Q4 2017 to \$245.8 million in Q4 2018, or an increase of 5.8 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 5.3 percent in total net originated timeshare sales when compared to Q4 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 16 company survey responses for net originated sales, 4 respondents reported providing fee-for-service arrangements, and 1 respondent reported being provided fee-for-service arrangements.

Respondents were asked to report the amount of net originated sales (including telesales) that were non existing owner and existing owner sales. The 15 respondent companies that provided new owner sales information reported approximately \$649.3 million in new owner net originated timeshare sales (including telesales) in Q4 2018, which is a 6.3 percent increase from Q4 2017, see *Figure 3* below. The 15 respondent companies that provided existing owner sales information reported approximately \$907.9 million in existing owner net originated timeshare sales (including telesales) in Q4 2018, which is a 5.3 percent increase from Q4 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 16 respondents that provided net originated sales did not provide information related to new owner and existing owner sales.

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



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

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



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

Sixteen companies reported net originated sales excluding telesales, detailed information on the number of tours and the number of sales transactions. The companies reported that the aggregate number of tours² increased 4.1 percent, the aggregate number of sales transactions increased 3.3

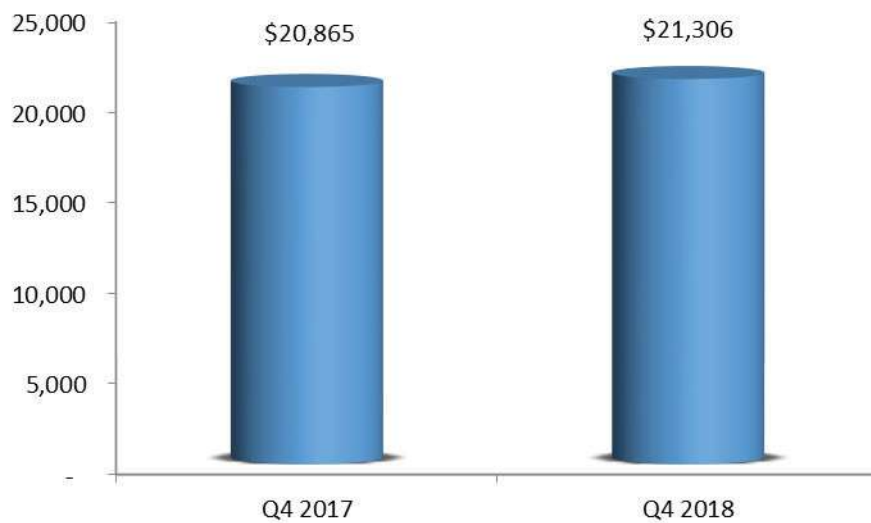
² This represents the number of tours taken by guests in the company's efforts to sell timeshares, including all tours of sales prospects, whether they occur on-site or at an off-site sales center.

percent, and the weighted average transaction value increased 2.1 percent. The respondents reported an increase in net inventory sold under fee-for-service arrangements of 5.8 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 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. Nine respondents reported average transaction value had increased from Q4 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

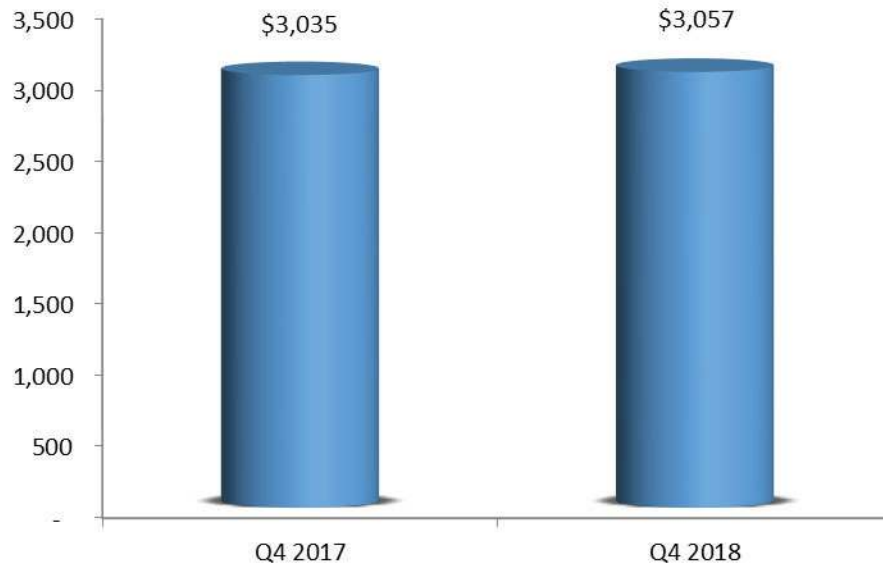


Source: Deloitte & Touche based on 16 company survey responses.

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

Volume per guest (VPG)⁴, a measure of sales efficiency, is calculated as net originated sales per tour, increased by 0.7 percent from Q4 2017 to Q4 2018.

Figure 6. Weighted average volume per guest

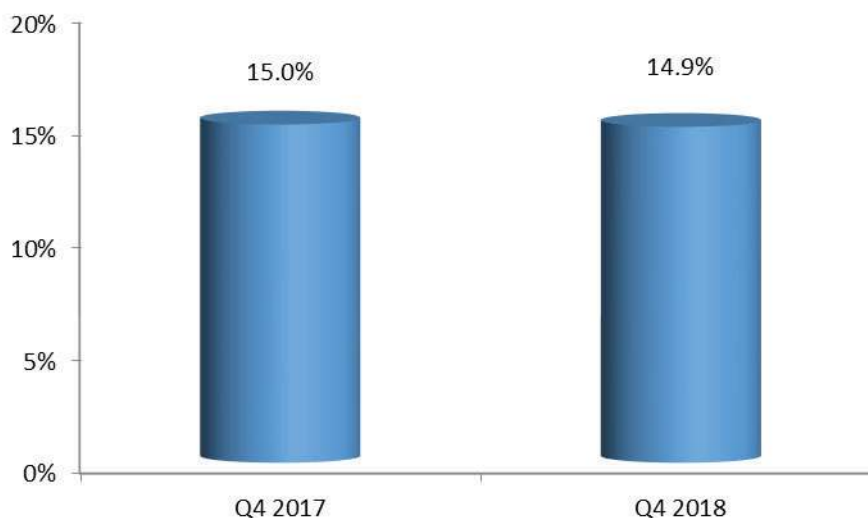


Source: Deloitte & Touche based on 16 company survey responses.

The close rate, another measure of sales efficiency, is the number of sales transactions generated from tour flow, slightly decreased from 15.0 percent for Q4 2017 to 14.9 percent for Q4 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 16 company survey responses.

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

Figure 8. Weighted and simple averages for selected sales metrics

	Weighted Average Q4 2017	Weighted Average Q4 2018	Simple Average Q4 2017	Simple Average Q4 2018
Volume per guest	\$3,035	\$3,057	\$2,907	\$2,953
Average transaction value	\$20,865	\$21,306	\$19,532	\$20,009
Close rate	15.0%	14.9%	14.9%	14.8%

Source: Deloitte & Touche based on 16 company survey responses

Among the companies that provided key sales indicators, 15 provided rescission information. The weighted average rescission rate⁵ among those companies was 15.9 percent in Q4 2018, which was an increase of 2.0 percentage points from 13.9 percent for Q4 2017. Four companies reported a decrease in rescissions between Q4 2017 and Q4 2018 and eleven companies reported an increase in rescissions. The simple average rescission rate increased 0.7 percentage points from 12.8 percent to 13.5 percent from Q4 2017 to Q4 2018. Further, respondents were asked to provide the rescission volume in dollars. For the 14 companies that provided this information for Q4 2017 and Q4 2018, the total aggregate rescissions increased by 20.4 percent from \$294.1 million to \$354.1 million in Q4 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 27.4 percent in Q4 2017 to 30.1 percent in Q4 2018. Further, 13 respondents provided rescission information on new owner sales in dollars resulting in an increase of 30.1 percent in the total aggregate rescission volume from approximately \$127.4 million to approximately \$165.7 million from Q4 2017 to Q4 2018. For the 14 respondent companies that provided rescission information on existing owner sales, the weighted average rescission rate increased from 12.7 percent in Q4 2017 to 14.1 percent in Q4 2018. Further, 13 respondents provided rescission information on existing owner sales in dollars resulting in an increase of 16.6 percent in the total aggregate rescission volume from \$119.4 million to \$139.2 million from Q4 2017 to Q4 2018.

Respondents were asked a question related to owner growth rate over the prior year. For the 12 respondent companies that provided owner growth rate over the prior year, the weighted average owner growth rate increased from 0.7 percent in Q4 2017 to 2.3 percent in Q4 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 6.0 percent from \$289.5 million in Q4 2017 to \$306.9 million in Q4 2018.

2(A). Consumer timeshare loan portfolio delinquencies increased while charge-offs decreased when comparing Q4 2017 and Q4 2018.

The composition of receivables portfolios⁶ was evaluated as of December 31, 2018, and compared to the composition as of December 31, 2017. The total aggregate receivables for the 17 companies that provided receivables data was \$13.8 billion as of December 31, 2018, and \$13.0 billion as of December 31, 2017.

Respondents reported that payments for 89.8 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of December 31, 2018, a decrease of 0.5 percentage points from one year earlier. Also, as of December 31, 2018, 5.7 percent of consumer timeshare loan portfolios by dollar value were more than 120 days delinquent, an increase of 0.4 percentage points compared to one year earlier.

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

	December 31, 2017	December 31, 2018	Difference
Current	90.3%	89.8%	(0.5%)
31 to 60 days	2.0%	2.0%	0.0%
61 to 90 days	1.3%	1.3%	0.0%
91 to 120 days	1.1%	1.2%	0.1%
More than 120 days	5.3%	5.7%	0.4%
Total	100.0%	100.0%	

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

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

Respondents were asked to report a default rate measured as gross defaults charged against the allowance for uncollectible accounts during the fourth quarter, as a percentage of the gross outstanding portfolio balance at period-end. The weighted average default rate in Q4 2018 was 4.6 percent, which was a decrease of 0.5 percentage points compared to one year earlier. Of the seventeen respondents, ten respondents reported a decrease in the default rate when comparing Q4 2018 to Q4 2017, six 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 Q4 2017 and Q4 2018. Of the fourteen respondents, ten respondents reported an increase in the weighted average FICO score and four respondents reported a decrease. The result was an increase in the weighted average FICO score from 716 at Q4 2017 to 718 at Q4 2018.

2(B). Consumer timeshare loan portfolios experienced a decrease in currency when comparing Q3 2018 and Q4 2018.

The composition of receivables portfolios was evaluated as of December 31, 2018, and compared to the composition as of September 30, 2018. The total aggregate receivables for the companies that provided receivables data was \$13.8 billion as of December 31, 2018 and \$13.5 billion as of September 30, 2018.

Receivables portfolios showed an increase in delinquencies (greater than 30 days past due) as of December 31, 2018, compared to one quarter earlier. Respondents reported that payments for 89.8 percent of the value of their loan portfolios were current (measured as fewer than 31 days past due) as of December 31, 2018, which was 0.8 percentage points lower than one quarter earlier. Further, for the quarter ending December 31, 2018, 4.6 percent of consumer timeshare loan portfolios by dollar value were charged against the allowance for the period, which was 0.1 percentage points higher compared to September 30, 2018.

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

	September 30, 2018	December 31, 2018	Increase/(Decrease)
Current	90.6%	89.8%	(0.8%)
31 to 60 days	1.7%	2.0%	0.3%
61 to 90 days	1.2%	1.3%	0.1%
91 to 120 days	1.0%	1.2%	0.2%
More than 120 days	5.5%	5.7%	0.2%
Total	100.0%	100.0%	

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

3. Resort occupancy decreased 0.1 percentage points (or 0.1 percent) as compared to Q4 2017.

Survey respondents were asked to provide information on timeshare unit occupancy. For the 16 companies that provided quarterly occupancy data, representing approximately 9.7 million available room nights in Q4 2018, the average occupancy rate decreased 0.1 percent to 77.5 percent in Q4 2018, compared to 77.6 percent in Q4 2017. Available room nights increased 5.8 percent from Q4 2017 to Q4 2018; increasing from approximately 9.1 million room nights to approximately 9.7 million

room nights.

4. Average down payment on non-upgrade sales decreased in Q4 2018. Average term, FICO score on new loans, and interest rate increased in Q4 2018. Average down payment on upgrade sales stayed consistent year over year.

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 Q4 2018 was 13.8 percent, which was an increase of 0.2 percentage points from Q4 2017. The Q4 2018 average loan terms increased from Q4 2017 from 119.3 months to 121.0 months. The average FICO score for financed sales during Q4 2018 increased from 726 in Q4 2017 to 730 in Q4 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 0.5 percentage points to 17.9 percent of the stated sales price on financed sales in Q4 2018 compared to 18.4 in Q4 2017. For the 13 respondents that provided existing owner down payment data, the average down payment on upgrade sales, which includes the value of equity in the owners' existing vacation ownership interests, remained unchanged at 43.7 percent from Q4 2017 to Q4 2018.

Figure 11. Characteristics of consumer timeshare loan financing

	2017	2018	Difference
Fourth Quarter			
Average:			
Interest rate (annual)	13.6%	13.8%	0.2%
Term (months)	119.3	121.0	1.7 months
Down payment on non-upgrade sales (% of price)	18.4%	17.9%	(0.5%)
Down payment on upgrade sales (% of price)	43.7%	43.7%	0.0%
FICO Score at new loans	726	730	4

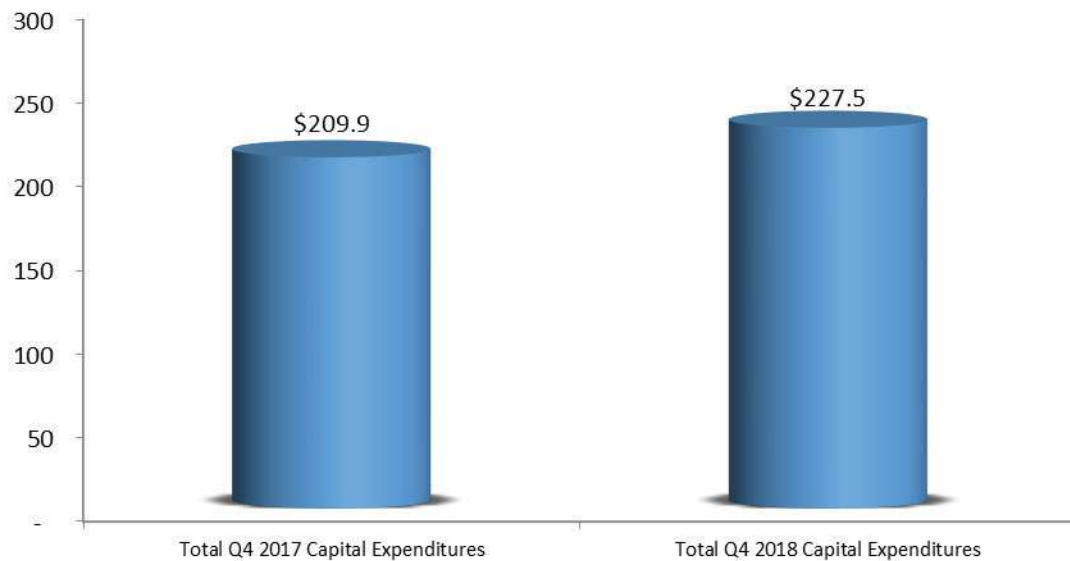
Source: Deloitte & Touche based on a minimum of 13 company survey responses.

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

5. Capital expenditures related to timeshare inventory increased overall in Q4 2018 when compared to Q4 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 increased by 8.4 percent in Q4 2018 compared to Q4 2017. Of the thirteen respondents, six respondents increased capital expenditures related to timeshare inventory and seven respondents decreased capital expenditures related to timeshare inventory.

Figure 12. Capital Expenditures (Millions)



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

The following table shows the quarterly survey results in aggregate.

ARDA International Foundation – 2018 Fourth Quarter Pulse Survey

2018 Fourth Quarter End Results	Quarter Ending 31-Dec-17	Quarter Ending 31-Dec-18	Increase/ (Decrease)	Increase/ (Decrease) Percent	Survey Responses
General Characteristics					
1. Ownership status (public or private)	Public: 41% Private: 59%	Public: 41% Private: 59%			17
2. Are fee-for-service activities being provided by another developer on your behalf?	Yes: 6% No: 94%	Yes: 6% No: 94%			17
3. Did you complete any acquisitions? (Business Combinations)	Yes: 0% No: 100%	Yes: 0% No: 100%			17
Receivables Portfolio					
The following questions refer to the portfolio of receivables (total held and/or serviced receivables, including securitized and/or hypothecated receivables), including receivables for sales made in earlier years.					
4. Gross outstanding portfolio balance, at period end (in dollars)	\$13,043,828,402	\$13,768,628,557	\$724,800,155	5.6%	17
5. At period end, on a contractual basis what percentage of the dollar amount of this portfolio was:					
Current (current or fewer than 31 days delinquent)	90.3%	89.8%	(0.5%)	(0.6%)	17
Between 31 to 60 days delinquent	2.0%	2.0%	0.0%	0.0%	17
Between 61 to 90 days delinquent	1.3%	1.3%	0.0%	0.0%	17
Between 91 to 120 days delinquent	1.1%	1.2%	0.1%	9.1%	17
More than 120 days delinquent	5.3%	5.7%	0.4%	7.5%	17
Total should equal 100%	100.0%	100.0%			
6. Gross defaults (total amount charged against the allowance for uncollectible accounts during period as a percentage of gross outstanding portfolio balance at period end)	5.1%	4.6%	(0.5%)	(9.8%)	17
7. Average FICO score at Origination (on loans in the portfolio at quarter-end, weighted by outstanding principal balance)	716	718	2	0.3%	14
Inventory					
8. Capital expenditures related to timeshare inventory (current year)	\$209,892,527	\$227,501,685	\$17,609,158	8.4%	13
Resort Occupancy					
9. Timeshare occupancy mix by type. Report based on physical occupancy, meaning actual guest check-in occurred.					
a. Occupied (owner or owners' guest, exchange guest, renter, and marketing guest)	77.6%	77.5%	-0.1%	-0.1%	16
b. Vacant	22.4%	22.5%	0.1%	0.4%	16
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.)	9,128,784	9,661,996	533,212	5.8%	16

Selected Sales Metrics (Including telesales and home sits)

Sales metrics. Include telesales in the following responses.

11. Net originated sales (net of sales incentives and rescissions)	\$1,612,798,516	\$1,697,032,209	\$84,233,693	5.2%	16
12. Net originated sales that were new owner sales (net of sales incentives and rescissions):	\$610,858,526	\$649,273,783	\$38,415,257	6.3%	15
13. Net originated sales that were existing owner sales (net of sales incentives and rescissions):	\$862,198,070	\$907,943,842	\$45,745,772	5.3%	15
14. Rescissions (%)	13.9%	15.9%	2.0%	13.9%	15
Rescissions (\$)	\$294,118,763	\$354,103,963	\$59,985,200	20.4%	14
15. Rescissions that were new owner sales (%)	27.4%	30.1%	2.7%	9.9%	14
Rescissions that were new owner sales (\$)	\$127,356,335	\$165,684,870	\$38,328,535	30.1%	13
16. Rescissions that were existing owner sales (%)	12.7%	14.1%	1.4%	11.0%	14
Rescissions that were existing owner sales (\$)	\$119,388,616	\$139,194,375	\$19,805,759	16.6%	13
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)	0.7%	2.3%	1.6%	228.2%	12

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.	607,415	632,477	25,062	4.1%	16
19. Number of sales transactions (exclude rescissions) (Transactions should include: week sales, EOY sales, multiple-week sales, upgrades (that count as zero weeks), points sales, and reloads (which should be part of all categories above, except upgrades). Transactions should not include sales of Sampler programs.)	90,396	93,354	2,958	3.3%	16
Close rate (excludes sales that are canceled through rescission, calculated based on formula)	15.0%	14.9%	(0.1%)	(0.7%)	16
20. Net originated sales excluding telesales (gross less sales incentives and rescissions)	\$1,765,595,222	\$1,867,936,400	\$102,341,178	5.8%	16
Volume per guest ("VPG"). Represents timeshare sales revenue per guest and is calculated by dividing net originated sales, excluding telesales and home sits, by the number of tours. (calculated based on formula)	\$3,035	\$3,057	\$22	0.7%	16
Average transaction value (this is calculated based on net originated sales and excludes any charges not reflected in net originated sales, such as closing costs)	\$20,865	\$21,306	\$440	2.1%	16
21. Total net originated sales (gross sales less sales incentives and rescissions) for non-owned timeshare inventory sold under fee-for-service agreements	\$232,260,684	\$245,804,493	\$13,543,809	5.8%	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	\$3,977,472	\$4,196,538	\$219,066	5.5%	1
Total net originated sales (excluding rescissions, including fee-for-service, excluding fee-for-service sold by others)	\$1,841,081,728	\$1,938,640,164	\$97,558,436	5.3%	16
23. Total Rental Revenue	\$289,498,768	\$306,892,553	\$17,393,785	6.0%	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.	13.6%	13.8%	0.2%	1.5%	16
25. Average term (in months).	119.3	121.0	1.7	1.4%	16
Average down payment.					
26. Average down payment on non-upgrade sales	18.4%	17.9%	(0.5%)	(2.7%)	14
27. Average down payment on upgrade sales	43.7%	43.7%	0.0%	0.0%	13
28. Weighted Average FICO Score (on new loans, weighted by original principal balance, exclude buyers without FICO scores)	726	730	4	0.6%	14

Method

The 2018 Fourth 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.

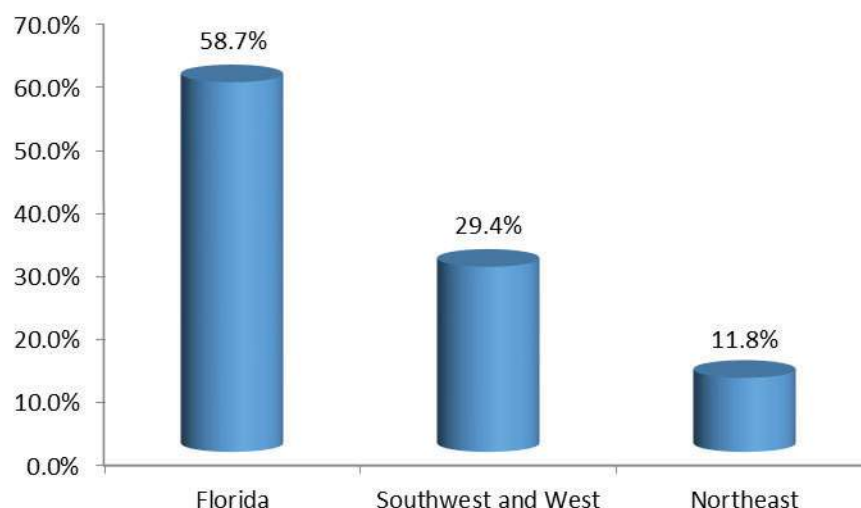
Deloitte & Touche developed the survey instrument in connection with input from ARDA International Foundation and industry participants. Deloitte & Touche distributed the survey directly to 269 timeshare and vacation ownership companies on January 14, 2019. The survey collection efforts focused on companies generating the largest volume of timeshare sales and companies that participate as board members of the American Resort Development Association (ARDA). Deloitte & Touche followed up with the companies by telephone and e-mail to encourage responses. Deloitte & Touche ended the survey collection effort on February 1, 2019. By February 1, 2019, 17 companies, or 6.3 percent of those surveyed, responded.

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

The response base includes major companies in the U.S. timeshare sector. The 17 respondents that provided sales information reported aggregate Q4 2018 net originated sales, including telesales and excluding fee-for-service arrangements, of \$1,697.0 million. Seven of the 17 companies are publicly traded companies, and five of the 17 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. Most of the U.S. respondents are based in Florida, though companies in the Northeast region, and Southwest and West region also responded.⁸ No respondents were based in the Southeast, Midwest or Canada.

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

Figure 14. Distribution of companies by headquarters location, 2018



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

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

The companies that participated in this survey are not identical to those that participated in prior editions of the Pulse Survey or of the Financial Performance Survey, which is an annual survey conducted on behalf of the ARDA International Foundation. The most recent previous Pulse Survey reported on activity through the second quarter of 2018. The current Pulse Survey functions similarly as a timely source of information on several key statistics, with a focus on the fourth 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 Q4 2017 and Q4 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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