2010

EXECUTIVE SUMMARY

AIF

# ECONOMIC IMPACT

## *of the Timeshare Industry on the U.S. Economy*

*Prepared by:* Ernst & Young
Quality In Everything We Do

2010 EDITION

# ECONOMIC IMPACT *of the Timeshare Industry on the U.S. Economy*

This study is an estimate of 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.

# EXECUTIVE SUMMARY

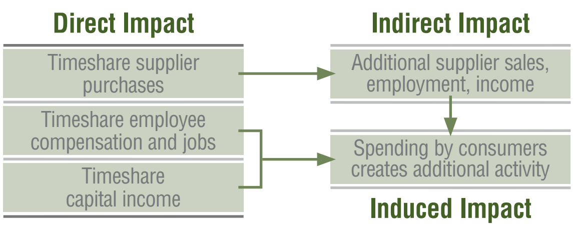
## Introduction

The impact of the timeshare industry on the U.S. economy expands 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, the construction of new resorts and the renovation of existing resorts, and the significant impact of expenditures of the vacationers during timeshare stays. This study estimates the comprehensive private- and public-sector benefits generated by the timeshare industry.

In addition to private-sector benefits, including jobs and income, the significant tax contributions of the industry are an important source of revenue for the federal, state and local governments. The timeshare industry produces significant amounts of individual income tax and employment tax at the federal level, and contributes significantly to property tax, sales tax, and occupancy tax revenue for state and local governments in the states in which the timeshare resorts are located.

The following results highlight the key economic and fiscal (tax) impacts of the timeshare industry. The results are summarized in terms of direct and indirect economic and fiscal impacts and presented for resort operations, sales and marketing, corporate operations, consumer spending and construction. The direct impacts are generated through spending by the timeshare industry and its employees. The indirect impacts are from increased activity among suppliers and higher spending by employees due to increased incomes.[1]

### Overview of the Timeshare Industry Operations' Economic Impact




## Total Impact

In total, the U.S. timeshare industry generated an estimated $69 billion of economic output, 465,800 full- and part-time jobs, more than $22 billion in income and nearly $8.4 billion in total taxes in 2009.

| Timeshare Economic Impact in the U.S. (2009) |
|---|
| $69 billion of economic output |
| 465,800 jobs |
| $22 billion in income |
| $8.4 billion in tax revenues |

### Total Estimated Economic Impacts of the U.S. Timeshare Industry, 2009

| Output ($billions) | Direct | Indirect | Total |
|---|---|---|---|
| Industry Operations | $18.1 | $30.2 | $48.3 |
| Resorts | $8.6 | $13.6 | $22.2 |
| Corporate | $4.0 | $7.0 | $10.9 |
| Sales and Marketing | $5.5 | $9.7 | $15.1 |
| Vacation Expenditures | $6.6 | $11.4 | $17.9 |
| Capital Expenditures | $0.8 | $1.6 | $2.5 |
| **Total** | **$25.4** | **$43.2** | **$68.7** |

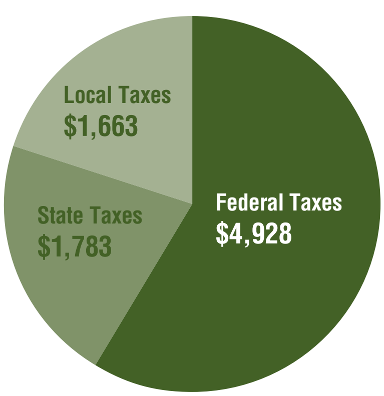
| Employment | Direct | Indirect | Total |
|---|---|---|---|
| Industry Operations | 132,227 | 192,970 | 325,197 |
| Resorts | 68,542 | 86,153 | 154,695 |
| Corporate | 27,466 | 44,171 | 71,636 |
| Sales and Marketing | 36,219 | 62,647 | 98,866 |
| Vacation Expenditures | 58,077 | 66,546 | 124,623 |
| Capital Expenditures | 5,995 | 9,988 | 15,984 |
| **Total** | **196,299** | **269,504** | **465,803** |

| Income ($billions) | Direct | Indirect | Total |
|---|---|---|---|
| Industry Operations | $6.7 | $9.4 | $16.1 |
| Resorts | $2.2 | $4.2 | $6.4 |
| Corporate | $2.0 | $2.2 | $4.2 |
| Sales and Marketing | $2.4 | $3.0 | $5.4 |
| Vacation Expenditures | $2.1 | $3.3 | $5.3 |
| Capital Expenditures | $0.3 | $0.5 | $0.8 |
| **Total** | **$9.0** | **$13.2** | **$22.1** |

1 Please note that the numbers in the tables and text of this report are rounded and may not appear to sum. Calculations referenced in the text were performed on precise numbers and will yield a slightly different result.

- **Resort Operations:** In 2009, resort operations' direct output totaled $8.6 billion and indirect output was $13.6 billion, resulting in a total contribution to U.S. economic output of $22.2 billion. The output multiplier, a measure of the relative size of total impact to the direct impact, is 2.57. In other words, each dollar of direct timeshare economic activity spurs $2.57 dollars of total U.S. economic output.
- **Corporate Operations:** Direct output totaled nearly $4.0 billion while indirect output was nearly $7.0 billion, resulting in a total impact on economic output of $10.9 billion. The output multiplier estimates that each dollar of direct timeshare economic activity spurs $2.75 dollars of total U.S. economic output.
- **Sales and Marketing Operations:** Direct output totaled nearly $5.5 billion while indirect output added nearly $9.7 billion, resulting in a total impact on U.S. economic output of $15.1 billion. The output multiplier estimates that each dollar of direct timeshare economic activity spurs in $2.77 dollars of total U.S. economic output.
- **Vacation Expenditures:** Direct spending off-site by timeshare owners and visitors totaled $6.6 billion. This direct spending created additional economic activity by firms that supply goods and services consumed by vacationers, which totaled $11.4 billion. Combining the direct and indirect impacts on economic output, the total impact on U.S. economic output from timeshare vacation expenditures is $17.9 billion. These results imply that each dollar of direct spending results in $2.74 dollars of total U.S. economic output.
- **Capital Expenditures:** Spending by the timeshare industry on resort and non-resort construction and renovations totaled $0.8 billion in 2009. These direct expenditures produced an additional estimated $1.6 billion in indirect output, resulting in a total impact on economic output of $2.5 billion. The output multiplier implies that each dollar of direct spending results in $3.01 dollars of total U.S. economic output.

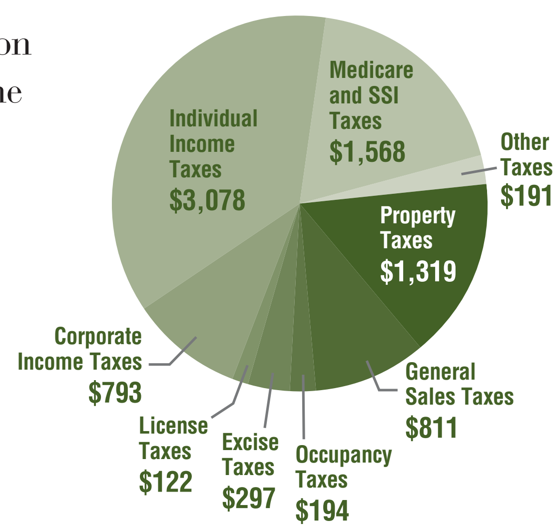
**Tax Revenues Paid by Timeshare Industry (2009, in millions)**




## Tax Revenues

Timeshare in the U.S. contributed nearly $8.4 billion in tax revenues in 2009 to the economy through property taxes, sales taxes, occupancy taxes, excise taxes, license taxes, income taxes, employment taxes and other taxes.

**Tax Revenues Paid by Timeshare Industry by Tax Type (2009, in millions)**



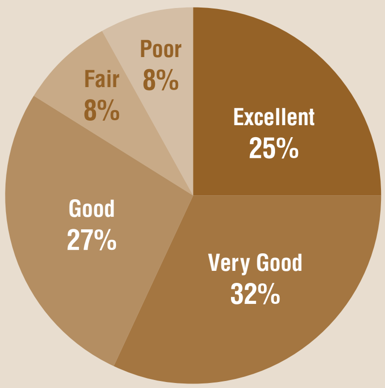

## Methodology

Ernst & Young's detailed analysis of economic impacts, and the success of the study overall, was made possible by the active cooperation of timeshare enterprises, resorts, exchange companies, and a sample of the timeshare travelers in U.S. during 2009. The response base included 646 of the 1,548 timeshare resorts identified in the U.S. and survey responses from 1,005 U.S. households. Ernst & Young analyzed the detailed survey information in a customized economic impact model to quantify the industry's economic contribution.

## Eighty-Four Percent Owner Satisfaction*

The vast majority of U.S. timeshare owners are pleased with their timeshare, indicating high satisfaction levels. About 84 percent of owners rated their ownership experience as “Excellent”, “Very Good” or “Good”.

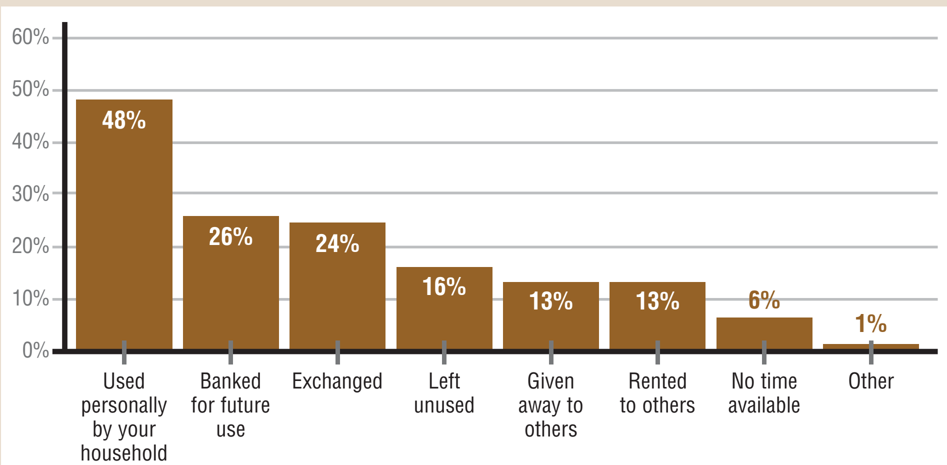
### Overall Timeshare Ownership Experience




## Owner Use of Timeshare*

The majority of timeshare owners use their timeshare. About 98 percent of traditional timeshare owners (week or points owners) have either personally used, exchanged or banked their timeshare for future use.[2]

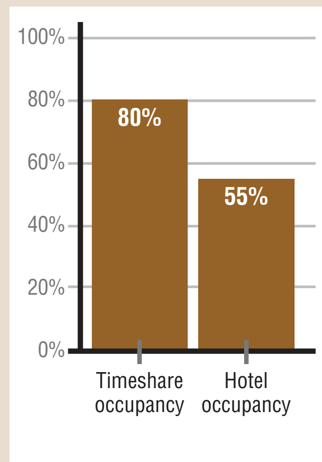
### Owner Use of Timeshare




## Timeshare Occupancy[3]

In 2009, average timeshare resort occupancy is 80 percent, much higher than the U.S. hotel occupancy of 55 percent.[4]

### Average Occupancy




**2** Multiple answers were allowed for the question.
**3** “State of the Vacation Timeshare Industry: United States Study, 2010 Edition” prepared by Ernst and Young for the AIF, June 2010.
**4** “STR Trend Report” Smith Travel Research, April 2010.
***** AIF Vacation Timeshare Owners Survey conducted in February 2010.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