

2011



STATE *of the*
VACATION TIMESHARE INDUSTRY:
United States Study

Prepared by:  **ERNST & YOUNG**
Quality In Everything We Do

2011 EDITION

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STATE *of the* VACATION TIMESHARE INDUSTRY: *United States Study*

The *State of the Vacation Timeshare Industry: United States Study 2011* edition provides an overview of important summary information on the U.S. timeshare industry for the year 2010. The primary data source for results contained in this report is a survey of timeshare resorts, developers and management companies. This survey was commissioned by the ARDA International Foundation (AIF) and conducted by Ernst & Young LLP (EY). EY also reviewed current and previous AIF research and other industry sources to conduct this analysis. The study encompasses the entire timeshare industry in the United States, excluding fractional resorts and private residence or destination clubs.

This study contains estimates 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.

Methodology

EY designed, built and distributed a password-secured, web-based survey questionnaire for data collection at the resort level. We also provided a corresponding version in Microsoft Excel for use by data providers responsible for multiple resorts. Individual responses to all questions were kept completely confidential. Only EY professionals responsible for the survey had access to individual survey responses.

All identified timeshare resorts¹ in the US were sent a survey questionnaire. We received responses from 678 of the 1,548 timeshare resorts identified — a 44% response rate. Of these 678 responding resorts, 521 belong to a family of ten or more resorts, while 157 belong to a family of less than ten resorts. Of these 157, 84 were single site developers. EY used these responses to produce most of the estimates detailed in this study — other sources are cited as appropriate.

¹ List of timeshare resorts maintained and provided by AIF.
Please see Appendix B for more information about the methodology for identifying timeshare resorts.

6 EXECUTIVE SUMMARY

How good are the estimates in this report? There are two primary sources of survey error: sampling and non-sampling error. Since the entire universe of identified timeshares received a survey there is no sampling error and terms such as precision and confidence are not appropriate. Non-sampling error includes survey question bias, coverage and measurement error, and non-response. Non-sampling errors are present in every survey, but can be reduced with proper planning, good execution, and appropriate analysis. For this survey, we have taken the following steps to help reduce non-sampling errors at various stages of the survey process:

- The AIF annually updates its database of timeshare resorts to help reach all known timeshare resorts.
- EY conducted a questionnaire review session with experienced survey professionals and data providers to help clarify the meaning of key terms and new data points.
- The electronic survey questionnaires contain data edit checks designed to catch most errors at the point of data entry.
- We provided incentives to respond, including complimentary copies of the report for survey participants.
- The AIF and EY conducted calling campaigns and sent electronic reminders to encourage response.
- We followed up with respondents on confusing or inconsistent responses.

The survey questions used this year were updated and revised based on previous State of the Industry comments and feedback. The database of resorts targeted for the study is continually updated to reflect the total coverage of resorts. The overall response rate is the most widely used measure of non-sampling error. Our response rate of 44% for an industry survey is well above the current typical response rate for surveys of this type. Our 76% response rate among large developers (those with ten or more resorts) is very good, and suggests that industry health estimates such as sales are very reliable, since these respondents generate most of the industry's sales.

We compared the distribution of responding resorts to the distribution of the universe by state and did not see any systematic differences. We also compared the responses of large developers who responded both this year and last year. This latter analysis revealed that large increases in some metrics are attributable to changes in the respondent pool. Certain estimates made in previous reports have been excluded due to methodological differences and item non-response.

Acknowledgements

We wish to acknowledge the timeshare industry professionals who dedicated their time and expertise to the development of the survey instrument employed to collect data for this report. We are indebted to the resort staffs who committed their time and energy to complete the survey forms.

Industry Overview

There were 1,548 timeshare resorts in the United States as of December 31, 2010, representing about 197,700 units for an average resort size of 128 units. There were 8.1 million intervals owned. The increase in some metrics (including total units, average resort size and total intervals owned) over 2009 is mainly attributable to changes in the respondent pool. The level of response for this report has increased from 28% in 2005 to 44% this year. As such, we have refined the national estimates each year to reflect the additional data received.

Industry Health

Year 2010 sales volume totaled \$6.4 billion, increasing by 1.6% from 2009. There were about 329,200 timeshare intervals sold at an average price of \$19,300.

The average maintenance fee charged per interval was \$731, up more than 9% from 2009. The average was \$588 for studios, \$619 for one bedroom units, and \$840 for units with two or more bedrooms.

Average occupancy was 79% in 2010. By comparison, hotel occupancy was 58% in 2010 according to Smith Travel Research. Timeshare occupancy includes about 65% who were either owners or exchange guests and 13% who were renters and/or marketing guests.

Having a general picture of the overall industry's size and health, the next step is to segment the resorts by important characteristics. These include resort size, sales volume, resort type, geographic region, and sales price. For each of these segments, we calculated five important industry measures: Size, Sales Volume, Interval Price, Occupancy, and Maintenance Fees. The following observations emerged:

- Smaller resorts have higher average prices than large resorts; larger resorts have higher maintenance fees.
- About 95% of resorts had annual sales of less than \$25 million — about 55% reported no sales volume. Sales price and maintenance fees tend to be higher for resorts with greater levels of sales volume.
- The most common resort type is the beach resort. Golf and theme park resorts tend to be the largest; island resorts are the most expensive and have the highest occupancy.
- Florida continues to have the most resorts, and resorts there tend to be much larger than in most other regions. California resorts have the highest interval prices; Pacific resorts have the highest occupancy rates.
- Resorts with higher average sales prices also tend to have higher occupancy and maintenance fees.

Industry Outlook

As noted, sales volume increased slightly in 2010. The compounded annual growth rates for sales price and maintenance fees from 2006 to 2010 were one and seven percent, respectively. The average resort size has been relatively flat during this period; except for an increase in 2010 that is mainly attributable to changes in the respondent pool.

Respondents expect little in the way of new construction. They anticipate building about 1,900 new units in 2011 and 1,500 in 2012 or beyond. Only six new resorts are planned for construction in 2011, with another three on tap for 2012 and beyond.

8 I. INDUSTRY OVERVIEW

The analysis begins with an overview of the industry, examining its size, history and structure.

How large and far reaching is the timeshare industry, as measured by resorts, units and intervals?

How has this picture changed since the industry's inception?

Finally, how are timeshare intervals sold, exchanged and rented?

Size

As of December 31, 2010, there were 1,548² timeshare resorts in the United States.

These resorts represented approximately 197,700 physical timeshare units — 128 units per resort on average. If lock-offs³ are counted as separate units, there are an additional 46,600 units, for a total of 244,300.

Resorts sell each of these units to consumers in parts, called intervals. Traditionally, these intervals were week-long intervals. As the industry has evolved, more sophisticated use plans have become more common. These include points-based intervals or biennials, for example. All of these can be translated into an equivalent number of traditional weeks for comparison purposes. As of December 31, 2010, the total number of weekly equivalent intervals owned was approximately 8.1 million.

Figure 1.2 shows the mix of units by the number of bedrooms. The two bedroom unit is the most common type at 65% of units, followed by the one bedroom at 22%. Eight percent of units have three or more bedrooms; another five percent are studios. This mix of unit types has remained relatively consistent for the past several years.

Figure 1.1

Industry Size

Measure	2010
Resorts	1,548
Units	197,668
Average Resort Size	128
Intervals owned	8.1 million

Figure 1.2

Mix of Units by Number of Bedrooms

Unit Type	2010	Percent
Studio	9,568	5%
1 bedroom	43,663	22%
2 bedrooms	128,256	65%
3 bedrooms or more	16,181	8%
Total	197,668	100%

Note: Percentages may not add due to rounding.

² ARDA International Foundation. Please see Appendix B for more information about the methodology for identifying timeshare resorts.

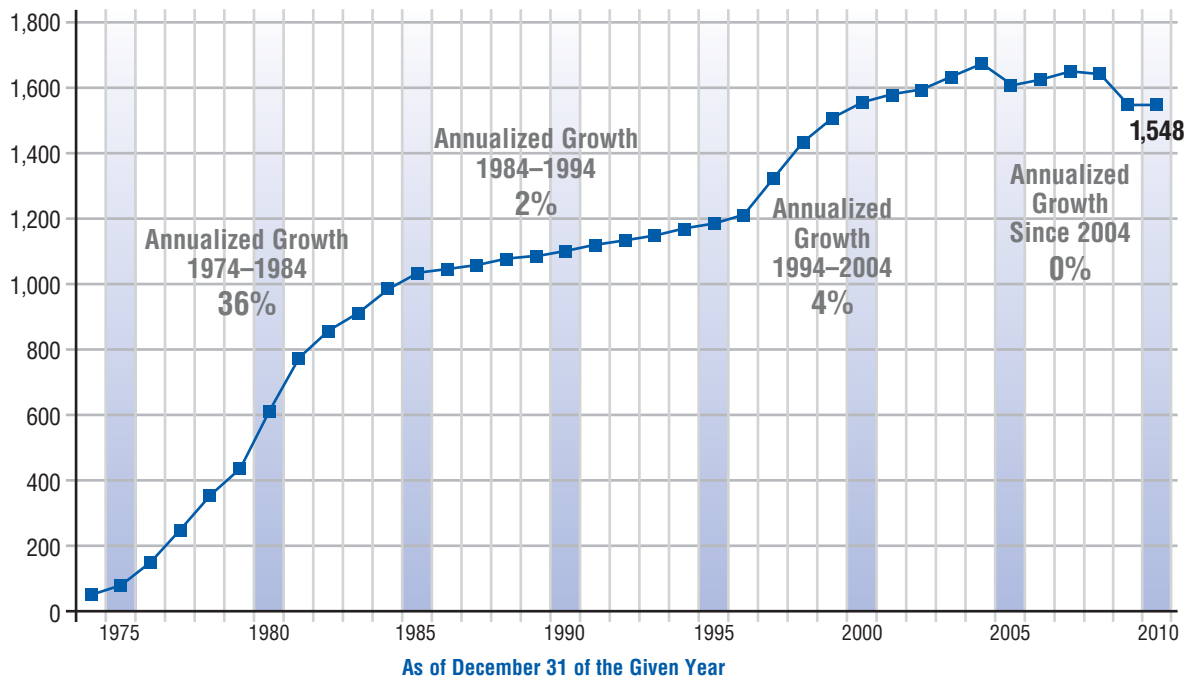
³ The term "lock-off" refers to a type of vacation ownership unit consisting of multiple living and sleeping quarters, designed so they can function as two discrete units for purposes of occupancy and exchange.

History

The graph in Figure 1.3 traces the growth of U.S. timeshare resorts since 1974. It paints a picture of an industry with generally steady growth, punctuated by two major growth spurts. The first occurred at the industry's outset — the number of resorts grew by an average of 105 resorts per year from 1974 to 1981. The next was from 1996 to 2000, when the number of resorts grew by an average of 87 per year. In other years, growth has averaged 25 to 30 resorts per year. In recent years, growth in the number of resorts has moderated even further. In particular, the change in the number of resorts has been relatively flat since 2005.

A change in the definition of the study population accounts for the drop in the number of resorts from 2004 to 2005. This change focused the analysis on the traditional timeshare including weekly intervals and points, removing such non-comparable entities as fractionals, non-equity clubs, private residence clubs, and vacation clubs. The AIF stepped up its confirmation efforts again in late 2009 and early 2010 to verify the status of all identified timeshare resorts in its database. The extensive confirmation campaigns led to another drop in the total timeshare resort count for the year of 2009.

Figure 1.3 **Timeshare Resorts Since 1974**



Source: Ragatz Associates, American Economics Group, and AIF

The changes in the study population and the AIF database explain the relatively flat trend in the number of resorts over the past five years. However, Figure 1.4 shows that nearly 14% of responding resorts opened from 2006 to 2010, demonstrating that there actually was growth in the number of resorts over that time period. The majority of responding resorts (57%) opened between 1996 and 2005.

Figure 1.4

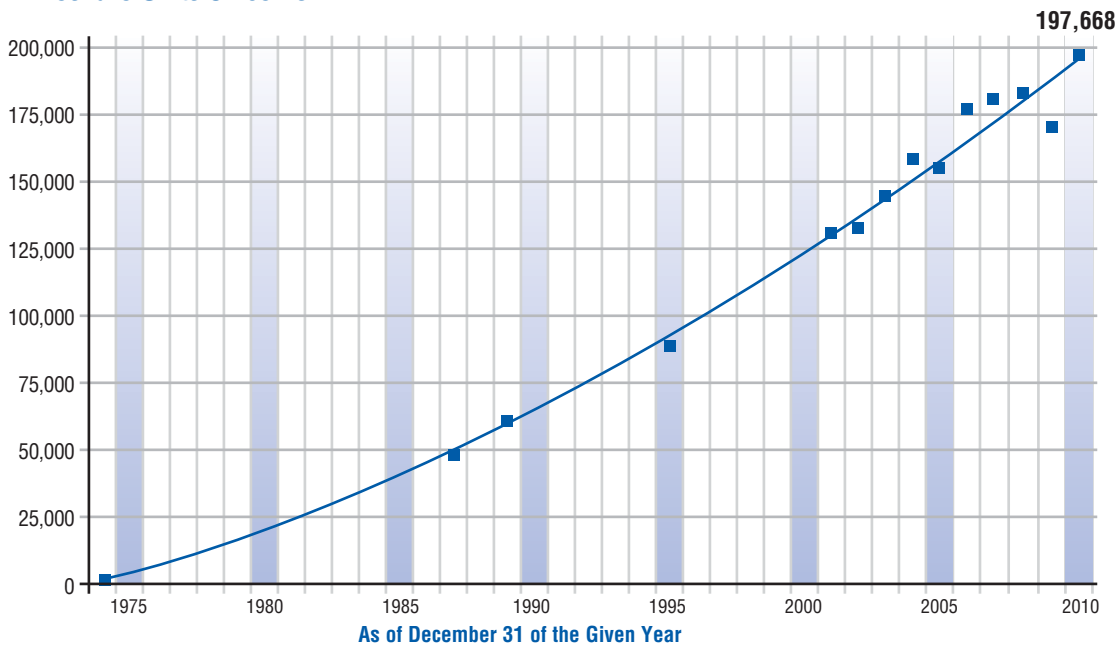
Years of Resort Opening

	Percent of resorts responding
1985 or before	13%
1986–1995	16%
1996–2005	57%
2006–2009	14%

Percent of 129 respondents — percentages may not add due to rounding

Figure 1.5 shows the historical trend of unit growth through the available data points. Unlike timeshare resort growth, growth in the number of timeshare units has not been tracked from year to year.

Figure 1.5 **Timeshare Units Since 1974**



Source: Ragatz Associates, American Economics Group and AIF

Developers have built larger resorts as the industry has matured. In 1974, the average resort had about 27 units. By 1989 that number had more than doubled to 56; by 2009 that number had nearly doubled to 110 units per resort. The level of response for this report has increased from 28% in 2005 to 44% this year. As such, we have refined the national estimates each year to reflect the additional data received and this may account for some of the year over year changes in the average resort size and number of units.

Figure 1.6 shows the number of timeshare intervals owned since 1974. The previously noted change in study population accounts for the apparent decrease in 2005, and the higher average resort size accounts for the increase in the estimate for 2010. In the industry's first ten years, growth in intervals owned was significant, averaging 54% annually. Since 1984, growth has been steady at around eight percent annually.

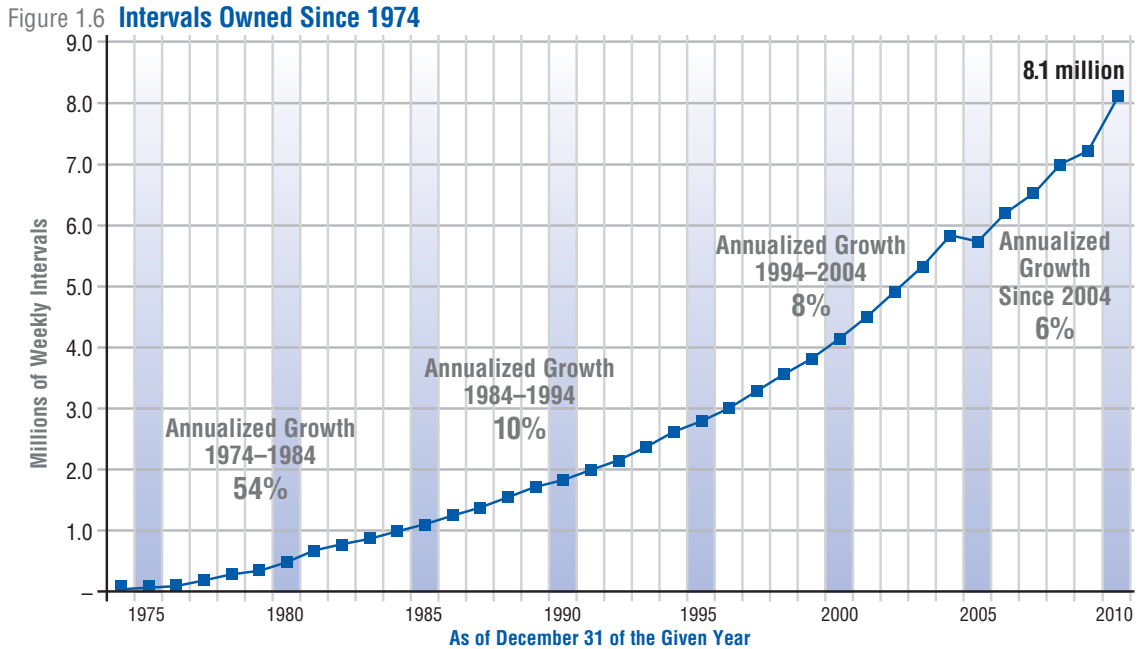
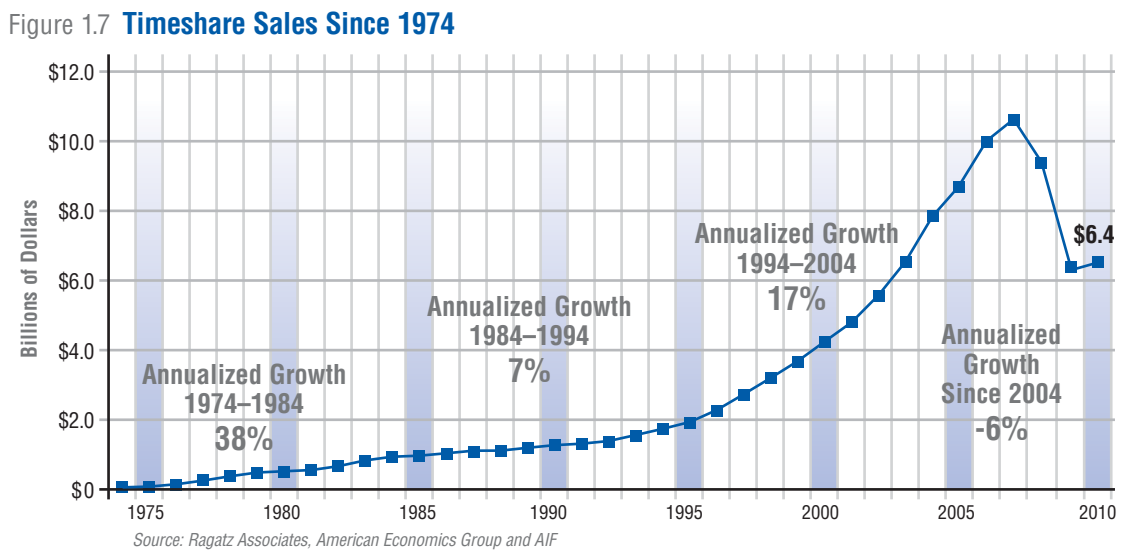


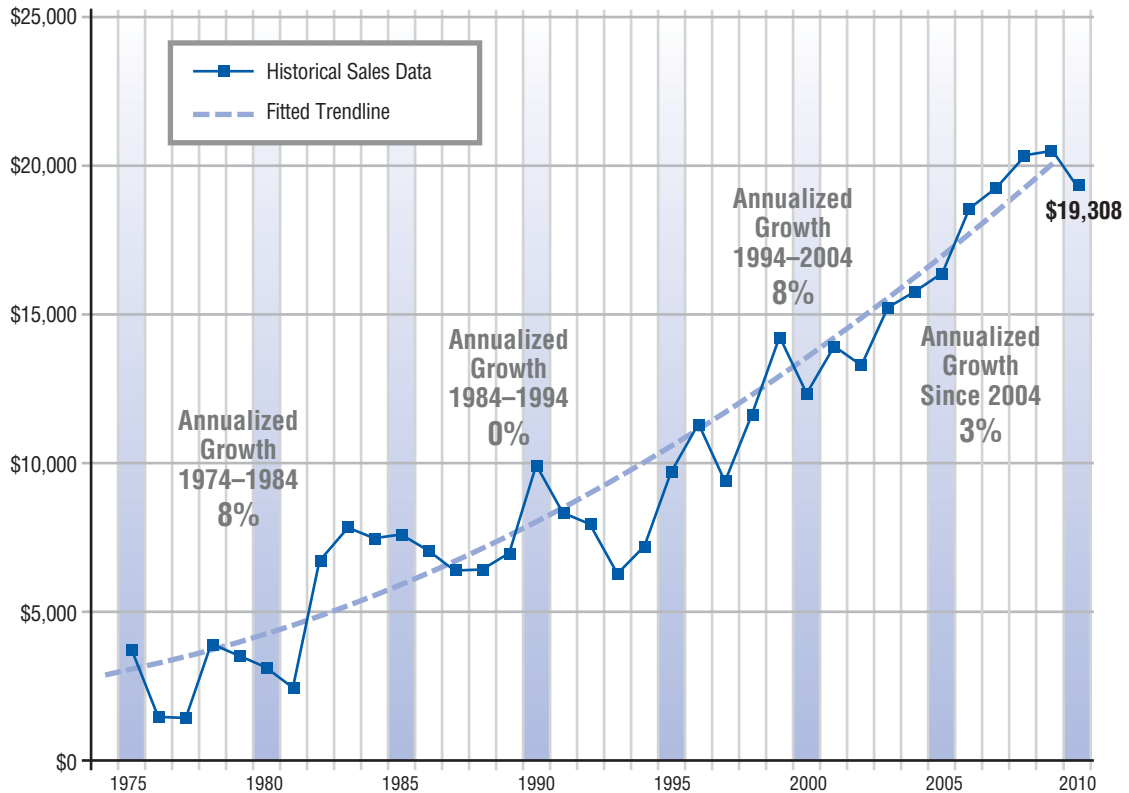
Figure 1.7 shows the historical sales⁴ trend from 1974 through 2010. In keeping with the pattern of resort and unit growth, sales volume grew tremendously over the first 10 years (38% annualized growth), moderated in the middle 10 years (7%) and picked up again from 1994 to 2007 (15%). The slight increase in sales from 2009 to 2010 has not been able to offset the significant sales reduction in the previous two years.



⁴ The sales volume collected is commonly referred to as contract or originated sales and does not further separate all of the accounting metrics under the Financial Accounting Standards ASC 978 Real Estate – Timesharing Activities.

These sales numbers do not include sales for resorts that primarily sell fractional and private residence clubs products. North American sales for these resorts were \$530 million for 2010 as reported in *The Shared-Ownership Resort Real Estate Industry in North America – 2011 Edition*, produced by Ragatz Associates. These sales have fallen by 65% since 2008, when fractional sales were around \$1.5 billion.

Figure 1.8 **Timeshare Average Sales Prices Since 1974**



Source: Ragatz Associates, American Economics Group and AIF

Figure 1.8 sketches the trend in prices from 1974 to 2010. The average sales price equals total industry sales volume, less sales upgrades⁵ where no incremental time is purchased, divided by the total number of intervals sold. The growth in price has been much less smooth than the growth in other measures. This may be due to the type or location of properties making up the majority of sales in a given year.

⁵ An upgrade sale is a transaction whereby a customer relinquishes the right to a currently held timeshare interval and obtains a higher-priced timeshare interval from the same seller.

Figure 1.9

Types of Intervals

Interval Type	Percent of Resorts Responding
Weeks	73%
Points	55%
Biennials	36%

Percent of 532 respondents — Multiple responses allowed

As noted previously, the industry has added sophistication to the way owners can buy timeshare intervals. Instead of just selling one week per year, many now offer increased flexibility by offering “points” that owners can use to customize their vacation needs. They can break up or extend vacation weeks, travel during various times of the year and/or stay in various unit types at a range of locations. Some also offer biennial products that allow owners to use intervals every other year, instead of each year.

Figure 1.9 shows the percentage of resorts that have each of these types of intervals at their resorts. About 73% of respondents have intervals of the traditional weekly variety; about 55% have some form of points based products and 36% of respondents have biennials⁶.

Figure 1.10

Average Unit Size in Square Feet

Unit Type	2010
Studio	422
1 Bedroom	705
2 Bedrooms	1,177
3 Bedrooms or more	1,710
Weighted Average	1,063

We also asked respondents to report their average unit size, in square feet. Figure 1.10 shows a summary of the results. Average sizes ranged from about 422 square feet for a studio unit to over 1,700 square feet for units with three or more bedrooms. Larger, condo-style units are a major selling point for the timeshare industry. These allow larger parties to participate in the vacation, and provide a “home away from home” feel to the vacation. Often, they give timeshare owners the flexibility to “lock-off” their units and rent them to other vacationers while still enjoying their vacation.

Finally, we asked respondents to provide the number of resort employees. Figure 1.11 shows that “21 to 30” is the most common answer, followed by “50 or more employees”.

Figure 1.11

Number of Resort Employees

	Percent of Respondents
<10	17%
11 to 20	13%
21 to 30	27%
31 to 40	9%
41 to 50	13%
50+	22%

Percent of 479 respondents — percentages may not add due to rounding

⁶ Biennials are vacation ownership products that provide a week’s worth (or points equivalent) of timeshare interest every other year.

14 II. INDUSTRY HEALTH

Chapter 1 gives a clear picture of the size of the industry. However to understand the health of the industry we must look at additional key indicators such as interval sales prices, occupancy and maintenance fees. This chapter addresses these metrics, presenting a current picture of important measures of industry health.

Overall

Figure 2.1 summarizes some of the timeshare industry's key performance metrics. Resorts sold approximately 329,200 intervals at an average price of \$19,300 per interval, representing a total sales volume of around \$6.4 billion. The reported average price for points-equivalent intervals was \$19,921; for weekly intervals, it was \$14,744.

Figure 2.2 shows the distribution of sales prices across resorts. The most common sales price category is "\$20,000 – \$24,999", at 32% of resorts. However, there are a number of resorts with intervals priced anywhere from \$5,000 to \$25,000. These prices vary depending on factors such as region and resort type, as we will see below.

Figure 2.1

Performance Metrics 2010

Metric	2010
Sales volume	\$6.4 billion
Number of timeshare intervals sold	329,230
Sales price per interval	\$19,308
Points Equivalent	\$19,921
Weeks	\$14,744
Occupancy	78.5%
Average maintenance fee per interval	\$731

Figure 2.2

Distribution of Sales Price

Sales price level	Percent of resorts responding
Less than \$5,000	5%
\$5,000 – \$9,999	15%
\$10,000 – \$14,999	21%
\$15,000 – \$19,999	10%
\$20,000 – \$24,999	32%
\$25,000 +	17%

Percent of 228 respondents — percentages may not add due to rounding

Figure 2.3

Occupancy Breakouts

Type	Percent of time available
Owner/owner's guest	46%
Exchange guest	19%
Renter	10%
Marketing guest	3%
Vacant	21%
Total	100%

Occupancy Level (%)	Percent of resorts responding
Less than 60	15%
60–69	16%
70–79	16%
80–89	29%
90+	24%
Total	100%

Percent of 517 respondents — percentages may not add due to rounding

Average resort occupancy (including sold out resorts) was approximately 79%. Figure 2.3 shows a more detailed view of occupancy. Resorts report their average occupancy in each of these categories based on physical occupancy, meaning that actual guest check-in occurred. The percentages in Figure 2.3 represent industry averages, weighted by the number of units. It shows that owners, their guests, and exchange participants accounted for about 65% of available intervals. Renters accounted for another 10%, while marketing guests contributed another three percent. This left about 21% of units vacant for the year. By comparison, occupancy at U.S. hotels was 58%⁷ in 2010.

Approximately 53% of resorts are at least eighty percent occupied, and 24% have occupancy of at least ninety percent. Fifteen percent of resorts are less than 60% occupied.

Figure 2.4

Maintenance Fee Breakouts

Unit Type	Maintenance Fee
Studio	\$588
1BR	\$619
*2BR +	\$840
Overall	\$731

Average Maintenance Fee	Percent of resorts responding
Less than \$400	2%
\$400 to \$499	10%
\$500 to \$599	27%
\$600 to \$699	18%
\$700 or more	44%
Total	100%

Percent of 375 respondents — percentages may not add due to rounding

** Note: Resorts with the highest reported maintenance fees do not have three bedroom units. This skewed the average maintenance fee for three bedroom plus units. For those resorts that reported maintenance fees for both two bedroom and three bedroom units, fees for the latter averaged 16% higher.*

The average annual maintenance fee charged was \$731 per interval. Figure 2.4 shows the average maintenance fees charged by unit type, and the distribution of maintenance fees by level. Studio units average \$588 annually in maintenance fees, one bedroom units average \$619, and two bedroom plus units average \$840 annually. About 12% of resorts have maintenance fees averaging less than \$500, while another 44% have maintenance fees of \$700 or more.

7 "Smith Travel Research Lodging Review" Smith Travel Research 2011.

8 This is the average maintenance fee billed to owners annually including contributions to reserves but excluding taxes and special assessments.

Figure 2.5

Maintenance Fee Delinquencies

Status	Percent of maintenance fee accounts
Current (Fewer than 31 days delinquent)	91%
31-60 days delinquent	0%
61-90 days delinquent	0%
91-120 days delinquent	1%
More than 120 days delinquent	8%
Total	100%

Percent of 301 respondents — percentages may not add due to rounding.

Figure 2.5 shows the number of maintenance fee related delinquencies in the industry in 2010 — about 91% of maintenance fee accounts were current up from 87% in 2009. Respondents also reported the frequency of foreclosures amongst owners at their resorts. The weighted average foreclosure rate was 4.9% in 2010. These foreclosures were related to non-payment of fees and/or mortgages.

On average, 55% of timeshare sales are from new owners. Figure 2.6 shows the distribution of the percentage of sales to new owners — 54% of resorts have at least half of their sales from new owners⁹. Forty-five percent of timeshare sales are from those who already own a timeshare with the developer. This demonstrates high satisfaction with the product through repeat buyers. In addition, the sales costs associated with repeat sales are lower than for first time buyers.

Figure 2.6 **Sales from New Owners**

Sales from New Owners	Percent of resorts responding
<50%	46%
51 – 70%	40%
71 – 90%	9%
91% or more	5%

Percent of 170 respondents — percentages may not add due to rounding

Figure 2.7 **Types of Rental Program Offered**

Rental Type	Percent of resorts responding
Daily Rentals	95%
Weekly Rentals	92%
Monthly Rentals	45%
Rental rates that vary based on season	93%
Rental programs for marketing guests	58%
Other, Specify	13%

Percent of 365 respondents — multiple responses allowed

As noted in Figure 2.3, renters occupy 10% of timeshare intervals annually. Eighty-two percent of resorts report offering some form of rental program. Figure 2.7 shows the types of rental programs they offer. Nearly all (95%) resorts offer daily rentals and most offer weekly rentals (92%). These rental programs generally have rates that vary by season (93%). Nearly 60% offer rental programs for their marketing guests. Resorts offer “other” types of rental programs including half-price rentals for timeshare owners, weekend programs, or two to three night minimum programs.

⁹ “New owners” are owners that are new to the responding resorts/development companies, but not necessarily new to the timeshare industry.

Figure 2.8 shows the rental revenue associated with these rentals. There were about 7.9 million nights rented in 2010, at an average price of \$156 per night. This translates to another \$1.2 billion in rental revenue for the timeshare industry per year, about an eight percent decrease from one year ago. This decrease is mainly due to the lower number of nights rented, which totaled 8.6 million last year. The average rental price was actually up from \$153 in 2009.

Figure 2.8 **Rental Revenue**

Metric	2010
Total Rental Revenue	\$1.2 billion
Total Nights Rented	7.9 million
Average rental price per night	\$156

There were about 7.9 million nights rented in 2010, at an average price of \$156 per night.

Industry Segments

Next, we use the performance metrics listed in the previous section to compare specific industry segments. To do so, we separate resorts into relevant subgroups, and calculate performance measures for each of these segments.

The five segments are

- Resort size
- Sales volume
- Resort type
- Region
- Sales price

For each of these segments, we present important performance measures for consideration.

- Percent of resorts
- Resort size, as measured by average number of units
- Total sales volume
- Sales price per interval
- Occupancy
- Average maintenance fee

Resort Size

The first segmented analysis explores performance by size of resort, using three categories: small (less than 50 units), mid-size (51–100 units) and large (>100 units). Even though the average resort size is 128, 47% of resorts have less than 50 units, while 31% have 100 units or more.

Not surprisingly, the largest resorts have the largest share of total sales volume. Their share of sales volume is more than twice their share of resorts. Occupancy is similar across the resort size categories. Maintenance fees tend to increase with resort size, which in many cases is due to higher levels of amenities and service offerings. Larger resorts also tend to be newer and have higher maintenance fees.

Figure 2.9 Performance by Resort Size

Number of Units	% of Resorts	Average Size	Total Sales Volume (\$B)	Sales Price per Interval	Average Occupancy	Average Maintenance Fees per Interval
Less than 50	47%	36	\$0.4	\$28,557	76.3%	\$683
51-100	21%	72	\$0.9	\$18,842	75.6%	\$717
More than 100	31%	300	\$5.1	\$18,935	79.3%	\$803
Overall	100%	128	\$6.4	\$19,308	78.5%	\$731

Percent of 570 respondents — percentages may not add due to rounding.

Sales Volume

Another way to measure a resort's size is to consider its level of total sales volume. Figure 2.10 compares the performance measures of the resorts for groups based on sales volume. Ninety-five percent of resorts had less than \$25 million in total sales for 2010.

Resorts with \$25 million or more in sales are increasingly large resorts. Those with no sales average 80 units per resort; those with \$100 million or more in sales average 844 units per resort. Resorts with \$100M or more in sales account for less than one percent of resorts, but 20% of total sales volume.

Figure 2.10 Performance by Sales Volume

Sales Volume in Millions (M)	% of Resorts	Average Size	Total Sales Volume (\$B)	Sales Price per Interval	Average Occupancy	Average Maintenance Fees per Interval
None	55%	80	\$0.0	—	75.4%	\$639
Less than \$25M	40%	137	\$2.6	\$16,009	78.8%	\$787
\$25M to \$49.9M	3%	351	\$1.4	\$16,058	84.4%	\$834
\$50M to \$99.9M	1%	339	\$1.1	\$24,716	79.7%	\$955
\$100M+	1%	844	\$1.3	\$23,628	80.6%	\$925
Overall	100%	128	\$6.4	\$19,308	78.5%	\$731

Percent of 678 respondents — percentages may not add due to rounding

Resort Type

Respondents reported the vacation experience offered at their resort and/or nearby. They also shared which characteristic best describes their resort. Figure 2.11 shows the results.

Figure 2.11 **Distribution by Resort Type**

Type	What vacation experience does this resort offer?			Which one characteristic best describes this resort?
	Onsite	Nearby	Nearby and/or onsite	
Beach	47%	31%	54%	30%
Country/Lakes	20%	26%	33%	16%
Golf	21%	76%	79%	11%
Ski	7%	28%	28%	10%
Island	23%	8%	21%	7%
Urban	15%	17%	25%	6%
Rural/Coastal	33%	16%	33%	6%
Themepark	4%	25%	25%	5%
Gaming	2%	22%	21%	3%
Desert	3%	15%	15%	2%
Other	—	—	—	5%

Percent of 474 respondents — percentages may not add due to rounding. For onsite and nearby, multiple responses were allowed.

Beach resorts are the most common primary designation; golf is most often available nearby and/or onsite. Resorts reported about three and a half of these vacation experiences available per resort on average. Other vacation experiences noted include national and state parks, historic sites, and vineyards/wineries.

Figure 2.12 **Performance by Resort Type**

Region	% of Resorts	Average Size	Total Sales Volume (\$B)	Sales Price per Interval	Average Occupancy	Average Maintenance Fees per Interval
Beach	30%	99	\$1.0	\$14,503	77.3%	\$642
Country/Lakes	16%	147	\$1.0	\$16,142	69.0%	\$617
Golf	11%	218	\$1.2	\$12,962	81.8%	\$778
Ski	10%	81	\$0.5	\$19,677	69.6%	\$685
Island	7%	148	\$0.8	\$23,237	89.4%	\$829
Urban	6%	104	\$0.5	\$22,980	77.4%	\$684
Theme Park	5%	368	\$0.9	\$14,196	78.3%	\$742
Other*	15%	202	\$0.4	\$21,237	77.9%	\$672
Overall	100%	128	\$6.4	\$19,308	78.5%	\$731

*Includes Rural/Coastal, Gaming, Desert, and Other from above.

Figure 2.12 compares the performance for the most common resort types¹⁰. Theme Park and golf resorts tend to be the largest. Island resorts have the highest average sales price, occupancy and maintenance fees.

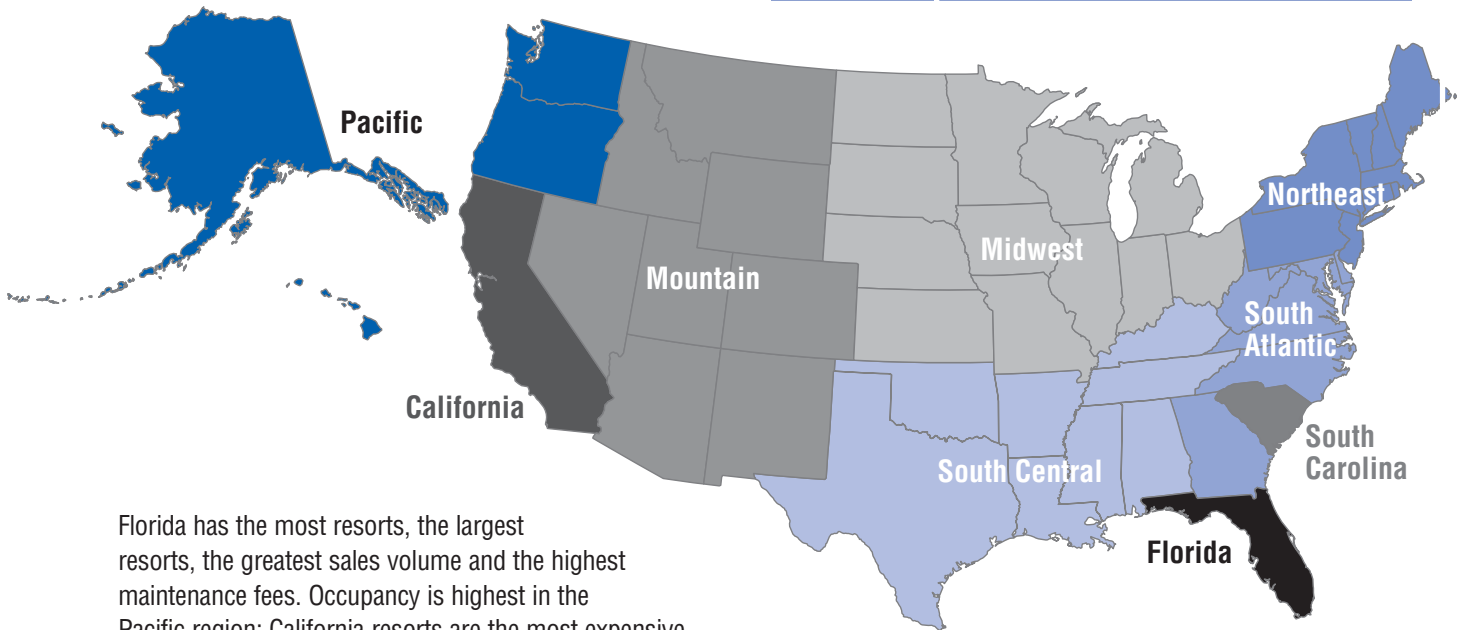
¹⁰ We did not report on the other resort types due to insufficient data.

Geographic Region

The next segment is geographical region of the country. We looked at the three states with the most resorts, and grouped the remaining states in regions, based on the U.S. Census Bureau’s list of geographic regions. Figure 2.13 shows a list of states represented by each region, and Figure 2.14 compares the performance by region.

Figure 2.13 **Geographic Regions**

Region	States
Florida	FL
California	CA
South Carolina	SC
Mountain	CO, UT, NV, MT, AZ, WY, ID, NM
Northeast	CT, ME, MA, NH, RI, VT, NJ, NY, PA
Pacific	AK, OR, HI, WA
South Central	AL, KY, MS, TN, TX, LA, AR, OK
Midwest	IL, IN, MI, OH, WI, IA, KS, MN, MO, NE, ND, SD
South Atlantic	DE, DC, GA, VA, WV, NC, MD



Florida has the most resorts, the largest resorts, the greatest sales volume and the highest maintenance fees. Occupancy is highest in the Pacific region; California resorts are the most expensive. Northeast has the lowest sales price and maintenance fees. South Atlantic has the lowest occupancy.

Figure 2.14 **Performance by Geographic Region**

Region	% of Resorts	Average Size	Total Sales Volume (\$B)	Sales Price per Interval	Average Occupancy	Average Maintenance Fees per Interval
Florida	23%	202	\$2.2	\$19,015	81.2%	\$742
California	8%	150	\$0.6	\$25,547	81.3%	\$704
S. Carolina	7%	150	\$0.5	\$14,542	80.4%	\$685
Mountain	18%	97	\$0.8	\$21,512	77.6%	\$664
Northeast	11%	82	\$0.2	\$13,895	67.4%	\$595
Pacific	9%	89	\$0.6	\$23,419	86.7%	\$726
South Central	9%	126	\$0.6	\$15,115	71.7%	\$653
Midwest	8%	139	\$0.6	\$15,864	74.6%	\$603
South Atlantic	8%	104	\$0.4	\$18,870	62.2%	\$648
Overall	100%	128	\$6.4	\$19,308	78.5%	\$731

Percent of 1,548 resorts — percentages may not add due to rounding

Sales Price

The final segment is average sales price. Occupancy increases with price, likely due to the greater desirability of exchange for more expensive resorts. Not surprisingly, maintenance fees also increase with sales price.

Figure 2.15 Performance by Average Sales Price

Average Sales Price	% of Resorts	Average Size	Total Sales Volume (\$B)	Sales Price per Interval	Average Occupancy	Average Maintenance Fees per Interval
Less than \$10k	28%	152	\$0.5	\$6,672	75.2%	\$635
\$10,000 to \$19,999	28%	179	\$1.4	\$14,114	72.6%	\$686
\$20,000 to \$29,999	36%	154	\$3.7	\$24,093	78.4%	\$910
\$30,000 or more	7%	212	\$0.8	\$43,695	77.1%	\$1,064
Overall	100%	128	\$6.4	\$19,308	78.5%	\$731

Percent of 228 respondents — percentages may not add due to rounding

Resorts with intervals priced \$20,000 or more have sales account for 70% of the sales volume, compared to 43% of the total number of resorts.

22 III. INDUSTRY OUTLOOK

Finally, armed with an understanding of the industry's size and strength, we turn our attention to its near term prospects. Doing so involves exploring recent performance trends, expected construction, and discussion with industry executives.

Figure 3.1 **Recent Performance Trends**

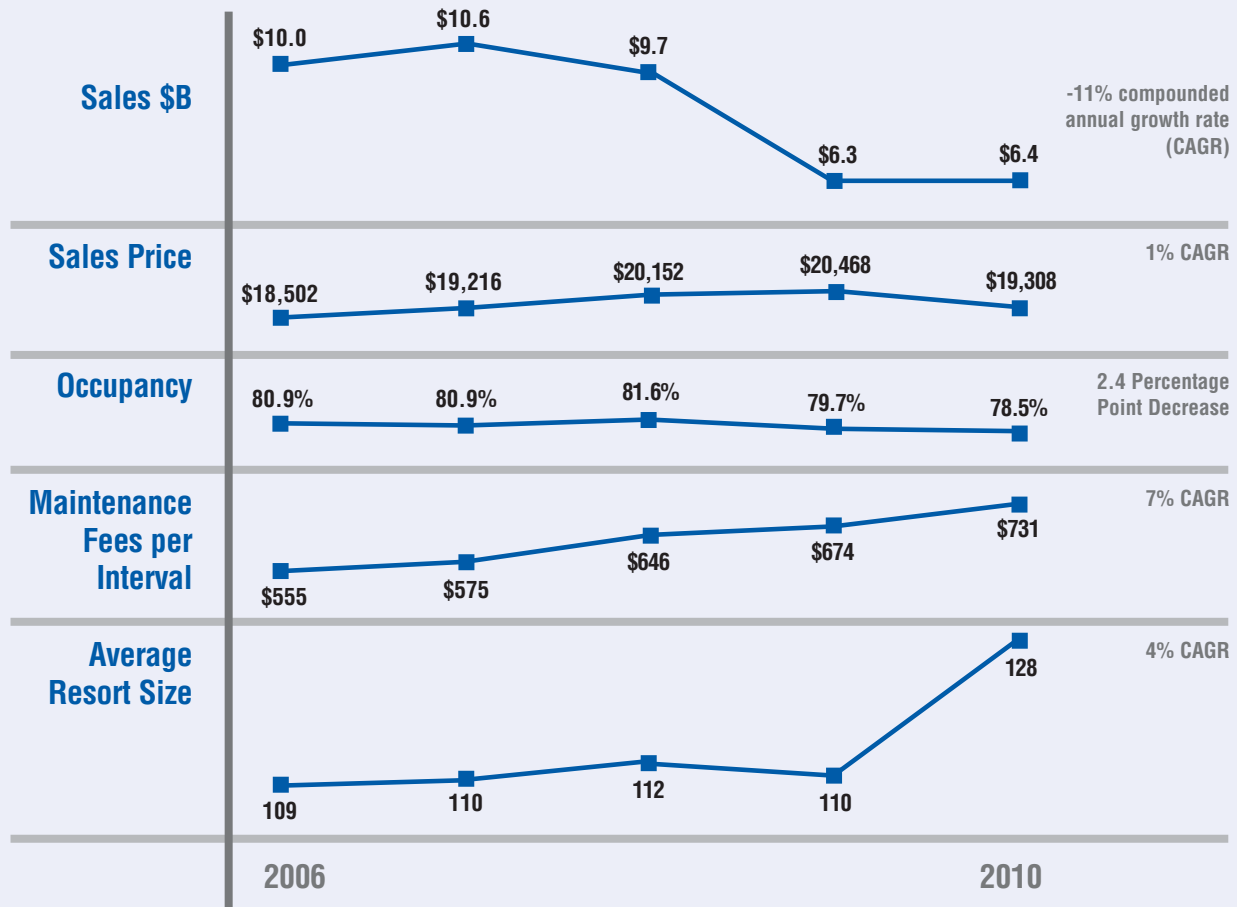


Figure 3.1 displays five year trends for the industry's five key performance measures. Sales volume has decreased by 36% since 2006. This is primarily driven by the 34% drop in sales for 2009. At the same time, price increased by four percent — an average of one percent compounded annually. Occupancy decreased slightly over the past five years, with most of the decrease coming in the past two years. Maintenance fees have increased steadily over the past five years, by about seven percent annually. Average resort size has remained relatively flat, except for the increase in 2010.

Figure 3.2 shows the change from 2009 to 2010 in some key metrics for respondents having multiple resorts and reporting data in both years. The purpose of this table is to assess changes without respect to differences in the respondent pool.

Figure 3.2 **Changes for Respondents Providing Data for 2009 and 2010**

	2009	2010	Change	Percent
Number of Resorts	498	500	2	0.4%
Number of Units	61,594	63,500	1,906	3.1%
Average Units	124	127	3	2.4%
Total Sales (\$M)	\$3,651	\$3,671	\$20	0.5%

Note: Numbers may not add due to rounding

In 2009, these respondents had 498 resorts and 61,600 units, for an average resort size of around 124 units. In 2010, the number of resorts increased to 500 while the number of units increased to about 63,500 — for an average resort size of 127 units. For these respondents, the average resort size has increased by less than 3%. This suggests that the 2010 increase in average resort size noted in Figure 3.1 is due largely to changes in the responding population or responding resorts. Furthermore, the real industry increase is likely less than 2.4%, since these respondents were more likely to report adding units than single site respondents.

Total sales reported by these respondents were slightly up in 2010, increasing by less than one percent. The \$3.7 billion in sales for these respondents is more than half of overall industry sales, even though they represent less than one-third of the industry’s units. These sales change figures are very much in line with the industry estimates as a whole.

Returning to our consideration of all survey respondents, Figure 3.3 shows estimates of construction of new timeshare units. Respondents expect to build around 1,900 in 2011; they estimate another 1,500 new units in 2012 and beyond. This data is for units that will be added to existing resorts. Figure 3.4 shows the expected new resort construction. Respondents foresee very little new resort construction next year or in the near future.

Figure 3.3 **Unit Construction**

	Number of Units
Units expected to be built – 2011	1,859
Units expected to be built – 2012+	1,452

Figure 3.4 **Resort Construction**

	Total
New Resorts Planned for Completion in 2011	6
Associated Number of Units in 2011	306
New Resorts Planned for Completion in 2012 and beyond	3
Associated Number of Units in 2012	149

TIMESHARE RESORT TRACKING

The study universe in the State of the Vacation Timeshare Industry consists of the latest list of timeshare resorts in the United States. While there is not a single, mandated registration database of timeshare properties developed in the U.S., the ARDA International Foundation established an extensive process to identify existing and planned unique timeshare resorts.

Timeshare resorts are identified through a variety of primary and secondary research, including:

- Company press releases, earnings reports, and websites
- Exchange company directories
- Crittenden Resort Report
- Industry media searches
- General media searches
- Primary survey research which includes a Confirmation Survey and the State of the Vacation Timeshare Industry survey

Extensive verification is conducted to identify unique timeshare resort properties. The resort count does not include:

- Emerging vacation ownership product segments — fractional, private residence clubs, destination clubs, non-equity clubs, whole-ownership, or condo-hotel resorts
- Club entities that own partial inventory or partial intervals at a physical timeshare resort
- Vacation exchange rental property at non-timeshare resorts



2011 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

Thank you for participating in the 2011 ARDA International Foundation (AIF) Survey!
 The following survey is about timeshare resorts. If you have any questions,
 please contact Joe Callender at 202-327-5692 or via email at Joe.Callender@ey.com

PLEASE COMPLETE AND SUBMIT NO LATER THAN FEBRUARY 15, 2011. Return via email to Joe.Callender@ey.com

Please follow these instructions for providing information on your properties

A) Provide contact information

First Name	Enter Data
Last Name	
Title	
Company Name	
Telephone Number	

From time to time, the ARDA International Foundation wishes to inform the timeshare industry of important legislative actions at the federal, state, or local levels. If you wish to learn of legislative efforts that impact your jurisdiction, please select yes and provide your e-mail address below.

Yes or No:

Email Address:

B) Enter data into the eight data entry worksheets as follows:

- | | |
|----------------------------|--|
| I. Resort Identification | V. Resort Timeshare Sales |
| II. Resort Characteristics | VI. Resort Construction and Improvements |
| III. Occupancy and Fees | VII. Rental Programs |
| IV. Timeshare Employees | |

C) Roll mouse over an underlined word or phrase to view the field definition and/or expected parameters.

D) Some cells have drop-down lists to select answers. Please check before you type your answer.

E) Review data for warnings.

- a. Cells with acceptable answers will have **black text**,
- b. Those outside expected parameters will have **red text**. Please re-check any red entries for accuracy. For further detail on expected parameters, please see tab "Checks"

F) Check the summary page to ensure the data being provided agrees with your own overall totals and averages.

Please contact Joe Callender with any questions at 202-327-5692 or via email at Joe.Callender@ey.com

To learn more about the sponsors of this survey, follow these links:

www.arda.org www.ardafoundation.org

Resort Identification

Resort Identifiers

Resort Name (If this resort is part of multiple resort family, please list all resorts.)

Resort identifying information

Address _____

City _____ State _____ Zip Code _____

Website _____

Resort Management Information - complete only if applicable

Name of Development Company _____

Name of Management Company _____

Home Owner's Association 1 _____

Home Owner's Association 2 _____

Home Owner's Association 3 _____

Name of Marketing Company _____



2011 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

Resort Characteristics

Development Stage

At which development stage is this resort currently? *(Select one)*

- Planned
- Under Construction - not in Active Sales
- Under Construction - in Active Sales
- Open - Still in Active Sales
- Sold Out
- Closed
- Other, specify _____

Please select the year this resort opened for sales.
(Only answer if stage above equals Open or Sold Out)

Please select the year this resort closed.
(Only answer if stage above equals Closed)

Please specify a reason that this resort closed
(Open-ended; only answer if stage above equals Closed)

Number of timeshare units by size as of Dec 31, 2010.

If you don't have a given unit size, please fill in '0'

- | | |
|---|---|
| _____ Studio - count lockoffs as one unit | _____ Studio - count lockoffs as separate units |
| _____ 1BR - count lockoffs as one unit | _____ 1BR - count lockoffs as separate units |
| _____ 2BR - count lockoffs as one unit | _____ 2BR - count lockoffs as separate units |
| _____ 3BR+ - count lockoffs as one unit | _____ 3BR+ - count lockoffs as separate units |
| _____ Total count lockoffs as one unit | _____ Total count lockoffs as separate units |

Average Size of Units

What is the average size of a unit at this resort in square feet?

- | | |
|--------------|------------|
| Studio _____ | 2BR _____ |
| 1BR _____ | 3BR+ _____ |

Intervals

What types of Intervals does this resort currently have? *(Choose all that apply)*

- Timeshare points
- Traditional interval weeks
- Interval weeks with the ability to use through a timeshare points system

Which of the following special types of intervals does this resort currently have?

(Choose all that apply)

- Biennials
- Triennials
- Other, specify _____

What is the total number of weekly equivalent intervals owned by owners at your resort as of December 31, 2010? _____

Please include any sold since the resort's inception, unless they have been reacquired by the developer

Vacation Experience

What vacation experience does this resort offer? *(Choose all that apply)*

- | | |
|--|--|
| <input type="checkbox"/> Country/Lakes | <input type="checkbox"/> Ski |
| <input type="checkbox"/> Desert | <input type="checkbox"/> Beach |
| <input type="checkbox"/> Gaming | <input type="checkbox"/> Theme Park |
| <input type="checkbox"/> Golf | <input type="checkbox"/> Urban |
| <input type="checkbox"/> Island | <input type="checkbox"/> Note any other vacation experience not listed |
| <input type="checkbox"/> Rural/Coastal | _____ |

Is this other experience "on-site", "nearby", or "both"? _____

Which one characteristic best describes the resort? *(Select one)*

- | | |
|--|--|
| <input type="checkbox"/> Country/Lakes | <input type="checkbox"/> Ski |
| <input type="checkbox"/> Desert | <input type="checkbox"/> Beach |
| <input type="checkbox"/> Gaming | <input type="checkbox"/> Theme Park |
| <input type="checkbox"/> Golf | <input type="checkbox"/> Urban |
| <input type="checkbox"/> Island | <input type="checkbox"/> Note any other vacation experience not listed |
| <input type="checkbox"/> Rural/Coastal | _____ |



2011 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

Occupancy and Fees

Timeshare Occupancy Mix by Type in 2010

Report based on physical occupancy, meaning actual guest check-in occurred.

Calculate percentages using weekly equivalent timeshare intervals available as the denominator. This corresponds to all units with certificates of occupancy, whether intervals are sold or unsold

- Owner or owner's guest _____
- Exchange guest _____
- Renter _____
- Marketing guest (sampler/trial membership, etc.) _____
- Vacant _____
- Total** (should be 100%) _____

Maintenance Fees, Reserves and Special Assessments

What were your maintenance fees billed per unit per interval in 2010 including contributions to reserves but excluding special assessments and property taxes

- Studio _____
- 1BR _____
- 2BR _____
- 3+BR _____

What is the total amount of revenue you collected in 2010 over all intervals at this resort for each of the following categories *(Please also include amounts paid by the developer, for example, on unsold intervals held in inventory, and/or subsidies and guarantees)*

- Maintenance fees _____
- Contributions to reserves _____
- Special assessments and other revenue sources _____
- Total** _____

As of Dec 31, 2010, what percent of your total billed maintenance fees were in each of the following categories? *Please do not include maintenance fees billed for 2011.*

- Current (Fewer than 30 days delinquent) _____
- 31-60 days delinquent _____
- 61-90 days delinquent _____
- 91-120 days delinquent _____
- 121+ days delinquent _____
- Total** (should be 100%) _____

Foreclosures

What percentage of owners lost their ownership due to non-payment of fees and/or mortgages? Please report percentage over all resorts.



2011 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

Timeshare Employees

Resort Management Operations

Please provide the annual average number of employees for 2010 for your **resort employees only**. Calculate using the average of the number of employees on January 1 and the number on December 31.

Note: The following questions are not resort specific. We have asked that you provide information on the full scope of your U.S. timeshare operations. Please provide information for the US in total.

Sales Operations (both on-site and off-site)

Please provide the annual average number of employees in 2010 for your **sales operations only**. Calculate using the average of the number of employees on January 1 and the number on December 31.

Corporate, Regional or Call Center Operations

(For companies that have off-site corporate or regional office and call centers that are either on-site or off-site)

Please provide the annual average number of employees for 2010 for your **corporate, regional and call center operations**. Include full-time, part-time, temporary and contract employees. Calculate using the average of the number of employees on January 1 and the number on December 31.

Resort Timeshare Sales

Did this resort offer new timeshare inventory for sale in 2010? _____

New inventory is considered “first generation” or “developer sales.”

Total New Timeshare Sales

How many weekly equivalent timeshare intervals were available for sale at this resort? Include all intervals available as of Dec 31, 2009 and any that were made available during calendar year 2010. Points-based developers may calculate weeks owned on an implied interval week conversion factor based on internal measures. For example, one approach may be to divide the number of points redeemed during the year by the number of unit weeks occupied. Or, developers that assign values to unit inventory may calculate the implied interval week conversion factor for the system overall. _____

Of these, how many weekly equivalent timeshare intervals were sold in 2010? _____

What was the total sales volume associated with these sales, net of rescissions, in dollars? Include interval weeks and/or points sales and upgrade/reload sales. Exclude sales for trial memberships and sampler programs. _____



2011 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

Resort Timeshare Sales — continued

Available Inventory

How many intervals were available for sale at this resort?

Weekly intervals (excluding biennials and triennials). _____
 Points based intervals (excluding biennials and triennials) _____
Total _____

New Timeshare Sales by Type

How many weekly equivalent timeshare intervals were sold?

Weekly intervals (excluding biennials and triennials). _____
 Points based intervals (excluding biennials and triennials) _____
 Biennials (list actual number sold - do not convert to weekly equivalent) _____
 Other products _____
Total _____

What was the total sales volume at this resort...

...for weekly intervals (excluding biennials and triennials)? _____
 ...for points based intervals (excluding biennials and triennials)? _____
 ...for biennials? _____
 ...for other products? _____
 ...for sales upgrades programs? Include upgrade sales that do not result
 in incremental ownership of time, such as a change in unit type, resort, or season _____
Total _____

Sales Sources

Of your total 2010 sales volume, indicate the approximate percentage...

...from new owners (including owners who purchased as a result
 of participation in a trial membership program) _____
 ...from existing owners _____
Total (Should be 100%) _____

Alternative Product Types

Does this property offer fractional sales? _____
 Does this property offer private residence club sales? _____
 Does this property offer whole ownership sales? _____
 Does this property offer membership program sales? _____
 Does this property offer any other sales? (please specify): _____

Resales and Trial Memberships

Trial Membership Program Sales

What was your sales volume associated with trial membership programs in 2010? _____

Resales on behalf of owners

What was your inventory sales volume for resales, net of rescissions, in 2010? _____
 What was the number of equivalent-weeks resold in 2010? _____

Fee for Service

What was your total 2010 sales volume related to "fee for service" arrangements?

Fee for service refers to an arrangement by which your company receives a fee in exchange for providing sales and marketing support in the sale of timeshare inventory belonging to another company. These sales should be exclusive of sales of your own inventory noted in the previous questions of this section.



2011 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

Resort Improvements and Construction

Resort Improvements

How many timeshare units were recently built and planned at this resort?

If you don't have a given type of unit, please fill in '0'.

Number of timeshare units built in 2010 _____
 Number of timeshare units planned for 2011+ with firm commitments _____
 Number of timeshare units planned for 2012+ with firm commitments _____

New Resorts

Please provide the following numbers.

These units should not count as a new resort unless they are the first such units built at the site. Include any resorts with partially built units, so long as the units will be made available for sale in 2011.

New Resorts Planned for Completion in 2011 and beyond _____
 Associated Number of Units in 2011 and beyond _____
 New Resorts Planned for Completion in 2012 and beyond _____
 Associated Number of Units in 2012 and beyond _____

Rental Programs

Does this resort offer a rental program? (If no, skip this section)

Types of Programs Offered

What types of rental programs are offered?

- _____ Daily Rentals
- _____ Weekly Rentals
- _____ Monthly Rentals
- _____ Rental rates that vary based on season
- _____ Rental programs for marketing guests
- _____ Other, Specify _____

Rental Program Revenue

What was the total number of nights rented in 2010? _____
 What was the revenue associated with these rentals? _____
 What is the commission rate you charge for rentals? _____

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