

# 2012



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

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

2012 EDITION

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

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

The *State of the Vacation Timeshare Industry: United States Study 2012* Edition provides an overview of important summary information on the U.S. timeshare industry for the year 2011. 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 focuses on timeshare resorts, which sell and maintain interval and points-based vacation lodging products. The study excludes fractional resorts and private residence or destination clubs. All sales discussed in this report are first generation or developer sales. Timeshare interests that are once owned and later sold on the secondary market are not included in this study.

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 resorts<sup>1</sup> in the US were sent a survey questionnaire. We received responses from 661 of the 1,548 timeshare resorts identified — a 43% response rate. Of these 661 responding resorts, 569 belong to a family of ten or more resorts, while 92 belong to a family of less than ten resorts. Of these 92, 43 were single site developers. EY used these responses to produce most of the estimates detailed in this study — other sources are cited as appropriate.

<sup>1</sup> 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 resorts 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.
- Further cross examination of the data was conducted to identify and question discrepancies within the data gathered, historical data, and expected trends.

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. The response rate has increased from 28% in 2005 (E&Y's first year of conducting the study) to 43% in 2011 and is well above the current typical response rate for surveys of this type. Our 85% 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 about 60% 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 to the survey in both the 2010 and 2011 studies. The purpose of this analysis was to assess the extent to which changes in report estimates were attributable to differences in the population of responding resorts. In general, the changes in key metrics for those resorts participating in both years tracked very closely to changes in industry-wide estimates. This suggests that, in general, changes in industry-wide estimates are not due to changes in the population of responding resorts.

### 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, 2011, representing about 194,200 units for an average resort size of 125 units. There were 8.4 million intervals owned. Among these intervals, 78% were owned by resort owners, while 14% were under the ownership of the homeowner's association (HOA) and 8% were owned by the developer. Among resort owners other than the HOA or developer, 76% of owners own seven weeks or less; another 12% are timeshare clubs.

## Industry Health

Year 2011 sales volume totaled \$6.5 billion, increasing by 2.4% from 2010. There were about 353,800 timeshare intervals sold at an average price of \$18,400 — the number of intervals sold increased by 7.5% in 2011, while the average price decreased by 4.7%.

The weighted average maintenance fee charged per interval was \$786, up almost 8% from 2010. The average was \$636 for studios, \$630 for one bedroom units, and \$909 for units with two or more bedrooms.

Average occupancy was 79% in 2011. By comparison, hotel occupancy was 60%<sup>2</sup> in 2011, according to Smith Travel Research. Timeshare occupancy includes about 64% who were either owners or exchange guests and 15% who were renters and/or marketing guests. Occupancy associated with rentals, and the corresponding rental revenue, was up from 2010 levels — total rental revenues increased by 37% in 2011.

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: Average Resort Size, Sales Volume, Interval Price, Occupancy, and Maintenance Fees. The following observations emerged:

- About 94% of resorts had annual sales of less than \$25 million — about 52% reported no sales volume. Sales price and maintenance fees tend to be higher for resorts with greater levels of sales volume, likely owing to the fact that these resorts are newer resorts.
- The most common resort type in the U.S. timeshare industry is the beach resort. Theme park and golf 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. Hawaiian resorts have the highest average sales price and occupancy rates.
- Resorts with higher average sales prices also tend to have higher occupancy and maintenance fees. Again, this may derive from the fact that these tend to be newer resorts with more amenities and desirability.

## Industry Outlook

Recent trends point to a stabilization of the industry's key fundamentals over the past two years. Sales volumes have increased slightly while occupancy has remained fairly steady — even the occupancy decreases in 2009 and 2010 were minor. Average sales price has historically fluctuated from year to year as the sales mix shifts — in some year timeshare purchasers may buy more intervals in smaller units, lesser demanded seasons or at less expensive resorts. Respondents expect little in the way of new construction: they anticipate building about 1,400 new units in 2012 and 1,900 in 2013 or beyond. Three new resorts are planned for construction in 2012, with another six on tap for 2013 and beyond. Resort and unit construction have slowed as the industry works through excess inventory created by the economic downturn. An increased reliance on fee for service models and the rental market demonstrate flexibility in managing these challenges. Also, the industry has been able to attract more new owners<sup>3</sup> in 2011, reversing a trend of increasing reliance on existing owners. Continued strong demand from new owners, coupled with a decreasing inventory of timeshare intervals, could be the keys to driving new growth in sales and eventually timeshare resort and unit construction.

<sup>2</sup> STR Monthly Hotel Review: December 2011, Smith Travel Research.

<sup>3</sup> "New owners" are owners that are new to the responding resorts/development companies, but not necessarily new to the timeshare industry.

# 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 number of 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, 2011, there were 1,548<sup>4</sup> timeshare resorts in the United States<sup>5</sup>.*

These resorts represented approximately 194,200 physical timeshare units — 125 units per resort on average. If lock-offs<sup>6</sup> are counted as separate units, there are an additional 52,800 units, for a total of approximately 247,000.

Resorts sell each of these units to consumers in parts, called intervals. Traditionally, these purchases were week-long intervals. As the industry has evolved, more sophisticated use plans have become more common. These include points-based intervals and biennials<sup>7</sup>, for example. All of these can be translated into an equivalent number of traditional weeks for comparison purposes. As of December 31, 2011, the total number of intervals and weekly equivalent intervals owned was approximately 8.4 million.

Figure 1.2 shows the mix of units by the number of bedrooms. The two bedroom unit is the most common type at 64% of units, followed by the one bedroom at 21%. Nine percent of units have three or more bedrooms; another 6% are studios. This mix of unit types has remained relatively consistent for the past several years.

Figure 1.1

### Industry Size

| Measure                        | 2011        |
|--------------------------------|-------------|
| Resorts                        | 1,548       |
| Units excluding lock-offs      | 194,163     |
| Units including lock-offs      | 246,987     |
| Average resort size (in units) | 125         |
| Intervals owned                | 8.4 million |

Figure 1.2

### Mix of Units by Number of Bedrooms

| Unit Type          | 2011    | Percent |
|--------------------|---------|---------|
| Studio             | 11,109  | 6%      |
| 1 bedroom          | 41,016  | 21%     |
| 2 bedrooms         | 125,099 | 64%     |
| 3 bedrooms or more | 16,939  | 9%      |
| Total              | 194,163 | 100%    |

Note: Percentages may not add due to rounding

<sup>4</sup> ARDA International Foundation. Please see Appendix B for more information about the methodology for identifying timeshare resorts.

<sup>5</sup> The United States is defined as continental US plus Alaska and Hawaii in this study.

<sup>6</sup> 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.

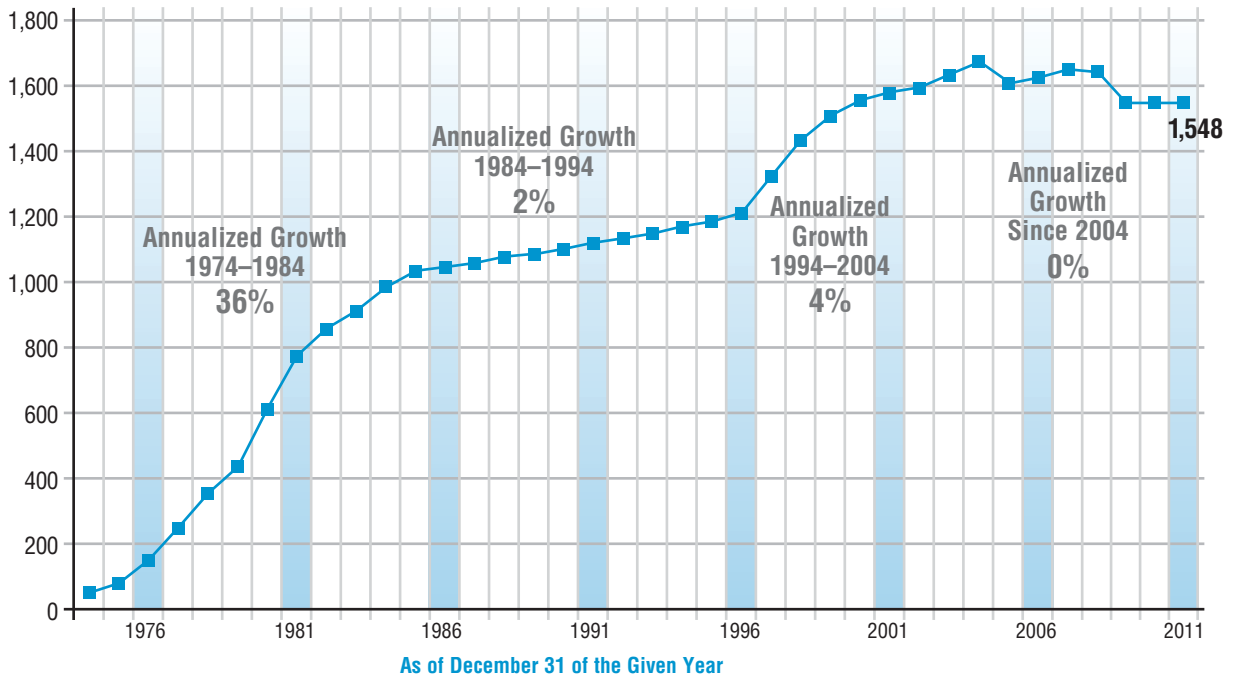
<sup>7</sup> Biennials are vacation ownership products that provide a week's worth (or points equivalent) of timeshare interest every other year.

**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 in the United States — 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 traditional timeshares, including weekly intervals and points and 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 removing condo hotels and resorts with only contractual agreement to be used as timeshare. Improved rigor and scrutiny of resort count by AIF led to a drop in the total timeshare resort count for the year 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 about 21% of responding resorts opened in 2006 or later, demonstrating that there actually was growth in the number of resorts over that time period. The majority of responding resorts (66%) opened between 1986 and 2005.

Figure 1.4

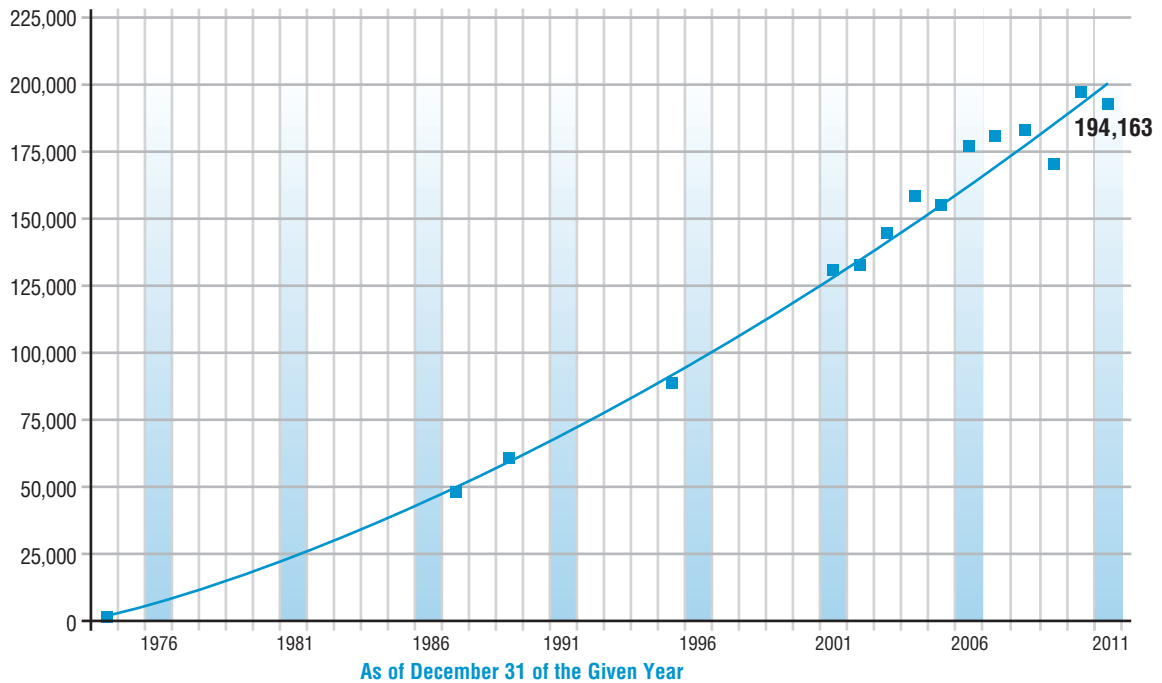
**Years of Resort Opening**

|                | Percent of Resorts Responding |
|----------------|-------------------------------|
| 1985 or before | 13%                           |
| 1986–1995      | 24%                           |
| 1996–2005      | 42%                           |
| 2006+          | 21%                           |

*Percent of 157 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**

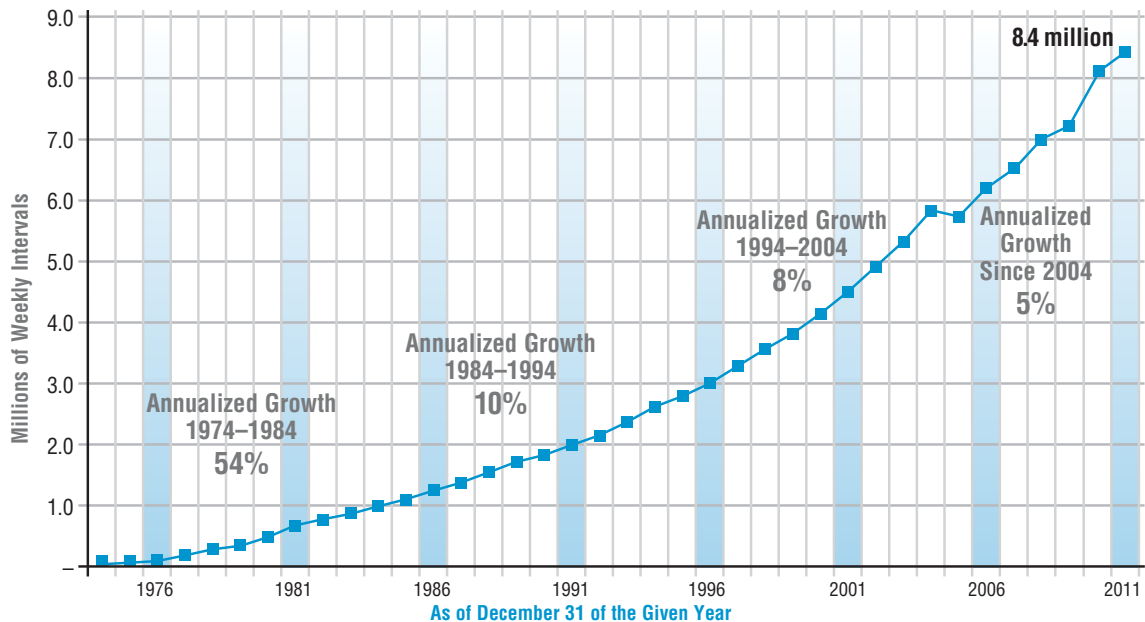


*Source: Ragatz Associates, American Economics Group and AIF*

Developers have built larger resorts as the industry has matured and larger, branded timeshare companies have entered the market. In 1974, the average resort had about 27 units. By 1989 that number had more than doubled to 56; in 2011 that number has again more than doubled to 125 units per resort. The response rate for this report has increased from 28% in 2005 to 43% 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 that excluded fractional and PRC resorts accounts for the apparent decrease in 2005. 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 8% annually.

Figure 1.6 Intervals Owned Since 1974



Source: Ragatz Associates, American Economics Group and AIF

This year, resorts also reported the number of intervals owned by different types of owners — Figure 1.7 displays the results. Not surprisingly, most intervals are owned by consumers, referred to as resort owners in the industry. About 14% of intervals are owned by the homeowner’s associations, and another 8% are still owned by the resort developers. At older resorts, intervals are more likely to be owned by the HOA — 22% of intervals are owned by the HOA at resorts that opened in 1995 or before, compared to less than 1% of intervals at resorts opening after 1995.

Figure 1.7 Intervals Owned by Type of Owner

| Unit Type                     | 2011 |
|-------------------------------|------|
| Intervals owned by consumers  | 78%  |
| Intervals owned by HOA        | 14%  |
| Intervals owned by developers | 8%   |
| Total                         | 100% |

Percent of 304 respondents — percentages may not add due to rounding

In Figure 1.8, we break out the 78% of intervals owned by consumers. More than three quarters of intervals are owned by individuals owning less than 7 weeks — another 12% of intervals are owned by timeshare clubs. Resorts reporting ownership by timeshare clubs reported an average of two such companies operating at their resort. Individuals owning seven or more weeks, travel clubs<sup>8</sup> and rescue, relief, postcard type companies<sup>9</sup> each account for less than 1% of intervals.

Figure 1.8 Owners Other Than HOA or Developer

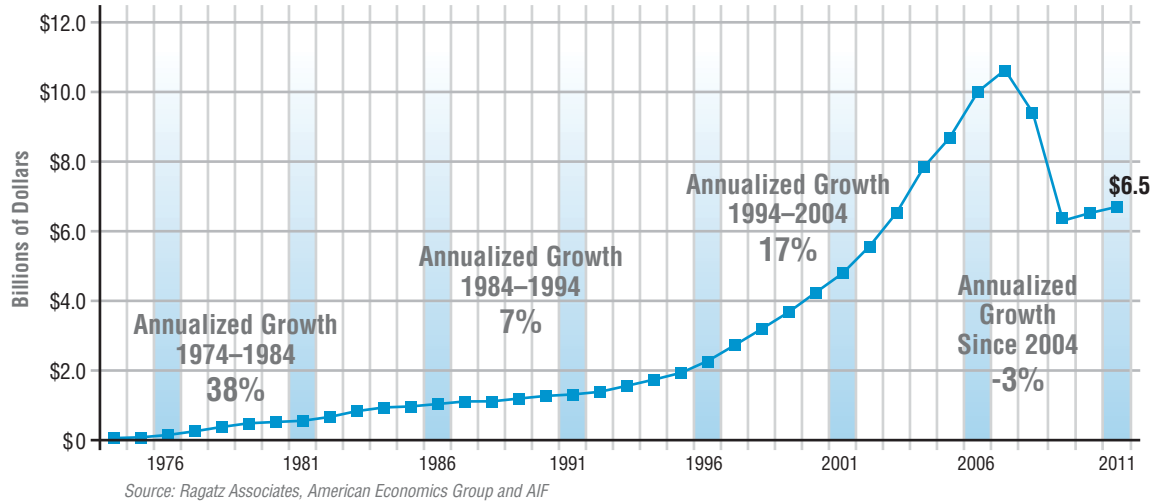
| Unit Type                               | 2011 |
|-----------------------------------------|------|
| Individuals who own less than 7 weeks   | 76%  |
| Individuals who own 7 weeks or more     | <1%  |
| Timeshare clubs                         | 12%  |
| Travel clubs                            | <1%  |
| Rescue, relief, postcard type companies | <1%  |
| Other                                   | 11%  |
| Total                                   | 100% |

<sup>8</sup> Travel clubs provide members with services, discounts or other benefits on services related to travel.

<sup>9</sup> Rescue, relief, postcard type companies offer to transfer ownership of timeshare interests to the company or another person.

Figure 1.9 shows the historical sales<sup>10</sup> trend from 1974 through 2011. 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 2004 (17%). In 2004 a four year sales boom began, peaking in 2007 at \$10.6 billion. However, sales fell significantly in the next two years due to the recession. In the past two years sales levels have stabilized at around the level experienced prior to that volatile six year period of 2004 to 2009.

Figure 1.9 **Timeshare Sales Since 1974**



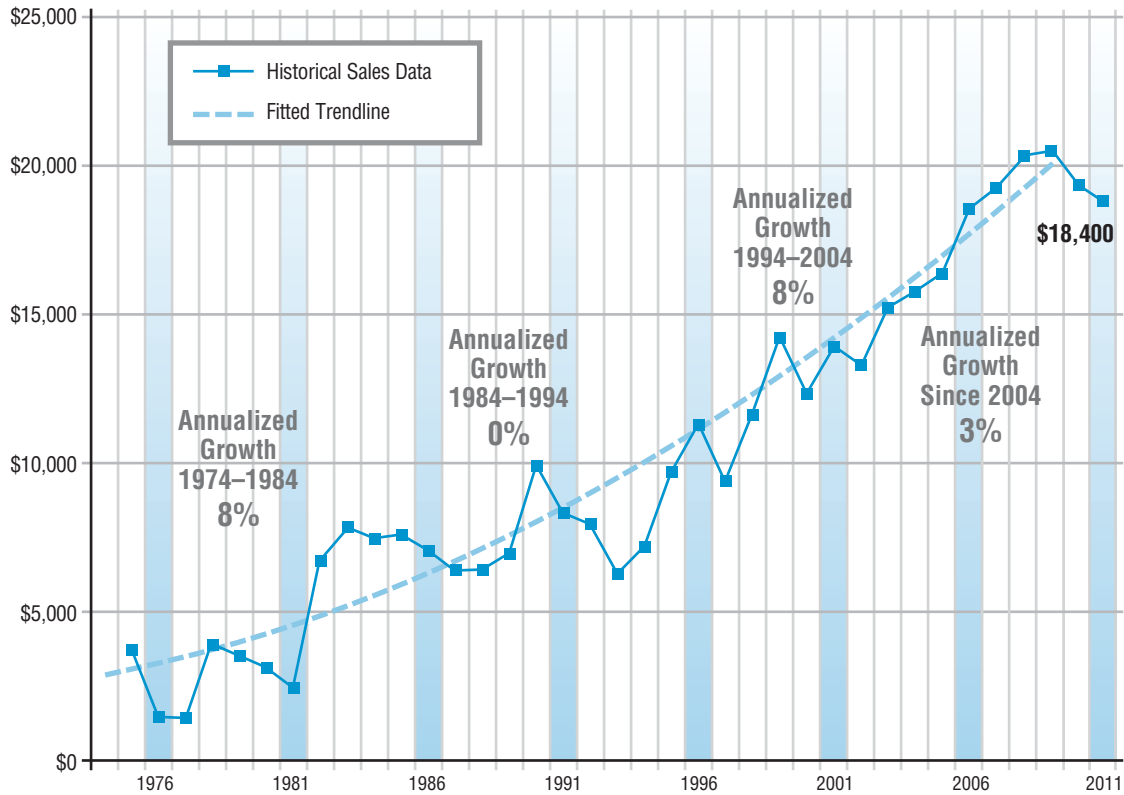
These sales numbers do not include sales for resorts that primarily sell fractional and private residence clubs (PRC) products. North American sales for these fractional and PRC resorts were \$552 million for 2011 as reported in *The Shared-Ownership Resort Real Estate Industry in North America – 2012 Edition*, produced by Ragatz Associates. These sales have fallen to just over a third of where they stood in 2009, when fractional sales were around \$1.5 billion. Fractional sales have been affected by declining real estate values and reduced consumer demand.

One practice that has increased in popularity of late is the use of so-called “fee for service” arrangements. In general, large developers provide sales and marketing support, including branding, to timeshare resorts they have not developed. The large developer receives a fee for this arrangement, enjoying improved cash flow without the capital risks of developing their own property. The resort leverages the developer’s existing sales infrastructure and brand. Sales related to fee for service arrangements in 2011 are estimated at \$298 million in the AIF’s *Financial Performance 2012* study, conducted by Deloitte and Touche. These sales are not differentiated in our sales estimates for the full timeshare industry.

<sup>10</sup> 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.

Figure 1.10 sketches the trend in prices from 1974 to 2011. The average sales price equals total industry sales volume, less sales upgrades<sup>11</sup> where no incremental time is purchased, divided by the total number of intervals sold. The growth in price has been more uneven than the growth in other measures. This may be due to the type, unit configuration, or location of properties making up the majority of sales in a given year. The decline in the past two years reflects a larger share of sales originating from developers with lower priced intervals.

Figure 1.10 **Timeshare Average Sales Prices Since 1974**



Source: Ragatz Associates, American Economics Group and AIF

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.

<sup>11</sup> 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 1.11

**Types of Intervals**

|           | Percent of Resorts Responding | Percent of Resorts that are in Active Sales | Percent of Resorts that are Not in Active Sales |
|-----------|-------------------------------|---------------------------------------------|-------------------------------------------------|
| Weeks     | 72%                           | 66%                                         | 82%                                             |
| Points    | 67%                           | 70%                                         | 65%                                             |
| Biennials | 42%                           | 57%                                         | 29%                                             |

Percent of 562 respondents — multiple responses allowed

Figure 1.11 shows the percentage of resorts that have each of these types of intervals at their resorts. About 72% of respondents have intervals of the traditional weekly variety; about 67% have some form of points based products and 42% of respondents have biennials. The percentage of resorts offering points based products has been rising since their introduction and is up from 55% in last year’s study. Due to the flexibility of this product, this trend should continue in the near future, as developers who have traditionally offered only weekly intervals expand their product offerings.

This year, we asked respondents about the ownership structures in place at their resorts. Resorts can be classified one of two primary ways — those where resort owners own real estate interests and those where they do not. Figure 1.12 lists the ownership structures present when owners own real estate interests, and Figure 1.13 shows those present when they do not. In the first case, deeded weeks are the dominant structure present. In the second case, there is a fairly even split between membership, points and right to use. Note that in both cases multiple structures may be used at a given resort.

Figure 1.12

**Ownership Structures – Owned Real Estate Interest**

|                                       | Percent |
|---------------------------------------|---------|
| Deeded weeks                          | 87%     |
| Undivided interest (UDI)              | 35%     |
| Points                                | 33%     |
| Condominium                           | 31%     |
| Deeds held in trust                   | 21%     |
| Both deeded and right-to-use          | 7%      |
| Interest in a cooperative corporation | 0%      |
| Other                                 | 6%      |

Percent of 228 respondents — multiple responses allowed

Figure 1.13

**Ownership Structures – No Owned Real Estate interest**

|                              | Percent |
|------------------------------|---------|
| Membership                   | 51%     |
| Points                       | 50%     |
| Right to use                 | 47%     |
| Both deeded and right-to-use | 3%      |
| License                      | 0%      |
| Lease                        | 0%      |
| Other                        | 0%      |

Percent of 202 respondents — multiple responses allowed

Respondents also reported their average unit size, in square feet. Figure 1.14 shows a summary of the results. Average sizes ranged from about 415 square feet for a studio unit to over 1,600 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 enhance timeshare owners’ flexibility to “lock-off” their units and rent them to other vacationers while still enjoying their vacation.

Figure 1.14

**Average Unit Size in Square Feet**

| Unit Type          | 2011  |
|--------------------|-------|
| Studio             | 415   |
| 1 Bedroom          | 709   |
| 2 Bedrooms         | 1,170 |
| 3 Bedrooms or more | 1,630 |

Average of 563 respondents

Figure 1.15

**Number of Resort Employees**

|                     | Percent of respondents |
|---------------------|------------------------|
| <10                 | 16%                    |
| 11 to 20            | 21%                    |
| 21 to 30            | 15%                    |
| 31 to 40            | 12%                    |
| 41 to 50            | 5%                     |
| 50+                 | 31%                    |
| Average Number = 51 |                        |

Percent of 398 respondents — percentages may not add due to rounding

*Finally, we asked respondents to provide the number of resort employees. Figure 1.15 shows that “50 or more employees” is the most common answer, followed by “11 to 20 employees.” The average number of employees to support a resort is 51, or 0.4 resort employees per unit.*

# 16 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 353,800 intervals at an average price of \$18,400 per interval, representing a total sales volume of around \$6.5 billion. The reported average price for points-equivalent intervals was \$22,700; for weekly intervals, it was \$15,100.

Figure 2.1

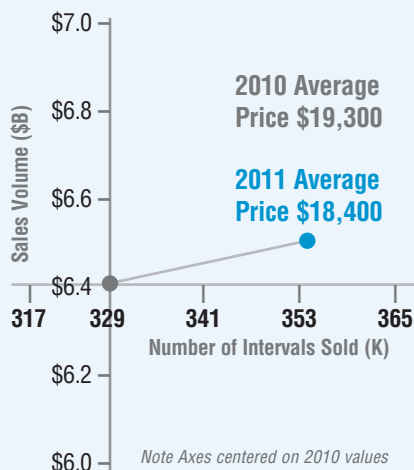
### Performance Metrics 2011

| Metric                               | 2011          |
|--------------------------------------|---------------|
| Sales volume                         | \$6.5 billion |
| Number of timeshare intervals sold   | 353,822       |
| Sales price per interval             | \$18,401      |
| Points equivalent                    | \$22,732      |
| Weeks                                | \$15,113      |
| Occupancy                            | 78.9%         |
| Average maintenance fee per interval | \$786         |

Figure 2.2 shows the changes in key metrics from 2010 to 2011. Occupancy increased slightly from the previous year, while maintenance fees increased by about 7%. Total sales volume increased slightly, by about \$100 million from the previous year. The number of intervals sold increased at a faster pace than total sales volume, with 24,000 more intervals sold in 2011 than 2010. The combined effect of these two changes lowered the overall average price slightly in 2011. Note that the decrease in average price reflects a change in the mix of products sold, including unit types and developer brand. It does not necessarily mean that the price of a particular type of interval has decreased year over year. That helps explain the jagged nature of the historical sales price shown in Figure 1.10 from the previous chapter.

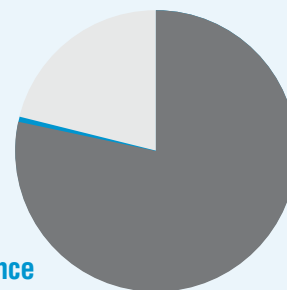
Figure 2.2

### Changes in Key Metrics — 2010 to 2011



### Resort Occupancy

2011 – 78.9%  
2010 – 78.5%



### Average Maintenance Fee Billed per Interval

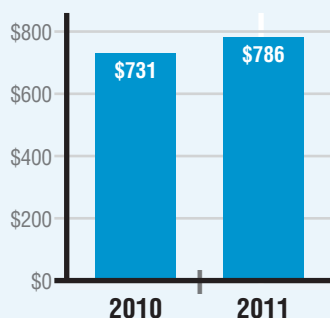


Figure 2.3

**Distribution of Sales Price**

| Sales Price Level   | Percent of Resorts Responding |
|---------------------|-------------------------------|
| Less than \$5,000   | 3%                            |
| \$5,000 – \$9,999   | 15%                           |
| \$10,000 – \$14,999 | 22%                           |
| \$15,000 – \$19,999 | 9%                            |
| \$20,000 – \$24,999 | 25%                           |
| \$25,000 +          | 26%                           |

Percent of 307 respondents — percentages may not add due to rounding

Figure 2.3 shows the distribution of sales prices across resorts. The most common sales price category is “\$25,000 or more,” at 26% 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 2.4

**Occupancy Breakouts**

| Type                | Percent of Time Available |
|---------------------|---------------------------|
| Owner/owner’s guest | 45%                       |
| Exchange guest      | 19%                       |
| Renter              | 12%                       |
| Marketing guest     | 3%                        |
| Vacant              | 21%                       |
| Total               | 100%                      |

| Occupancy Level (%) | Percent of Resorts Responding |
|---------------------|-------------------------------|
| Less than 60        | 17%                           |
| 60–69               | 16%                           |
| 70–79               | 19%                           |
| 80–89               | 22%                           |
| 90+                 | 26%                           |
| Total               | 100%                          |

Percent of 557 respondents — percentages may not add due to rounding

Average resort occupancy (including sold out resorts) was approximately 79% — this left about 21% of units vacant for the year. By comparison, occupancy at U.S. hotels was 60% in 2011<sup>12</sup>. Figure 2.4 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 2.4 represent industry averages, weighted by the number of units. It shows that owners, their guests, and exchange participants accounted for about 64% of available intervals. Renters accounted for another 12%, while marketing guests contributed another 3%. The percentage of occupancy related to rentals is up this year from 10% last year. As shown below, the number of nights rented and total rental revenue increased in 2011 from 2010. Rental revenues are becoming more important as the practice of revenue management is becoming more popular within the timeshare segment.

Approximately 48% of resorts are at least 80% occupied, and 26% have occupancy of at least 90%. Seventeen percent of resorts are less than 60% occupied.

The average annual maintenance fee<sup>13</sup> charged was \$786 per interval. Figure 2.5 shows the average maintenance fees charged by unit type, and the distribution of maintenance fees by level. Studio units average \$636 annually in maintenance fees, one bedroom units average \$630, and two bedroom plus units average \$909 annually. About 8% of resorts have maintenance fees averaging less than \$400, while another 44% have maintenance fees of \$700 or more.

Figure 2.5

**Maintenance Fee Breakouts**

| Unit Type | Maintenance Fee |
|-----------|-----------------|
| Studio    | \$636           |
| 1BR       | \$630           |
| *2BR +    | \$909           |
| Overall   | \$786           |

| Average Maintenance Fee | Percent of Resorts Responding |
|-------------------------|-------------------------------|
| Less than \$400         | 8%                            |
| \$400 to \$499          | 9%                            |
| \$500 to \$599          | 18%                           |
| \$600 to \$699          | 21%                           |
| \$700 or more           | 44%                           |
| Total                   | 100%                          |

Percent of 468 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 31% higher.

12 STR Monthly Hotel Review: December 2011, Smith Travel Research.

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

Figure 2.6

**Maintenance Fee Delinquencies**

| Status                                  | Percent of Maintenance Fee Accounts |
|-----------------------------------------|-------------------------------------|
| Current (fewer than 31 days delinquent) | 90%                                 |
| 31-60 days delinquent                   | 0%                                  |
| 61-90 days delinquent                   | 0%                                  |
| 91-120 days delinquent                  | 1%                                  |
| More than 120 days delinquent           | 9%                                  |
| Total                                   | 100%                                |

*Percent of 278 respondents — percentages may not add due to rounding*

Figure 2.6 shows the number of maintenance fee related delinquencies in the industry in 2011 — about 90% of maintenance fee accounts were current, down slightly from 91% in 2010. Respondents also reported the frequency of foreclosures amongst owners at their resorts. The weighted average foreclosure rate was 5.5% in 2011, up slightly from 4.9% in 2010. These foreclosures were related to non-payment of fees and/or mortgages.

Figure 2.7 **Sales from New Owners**

| Sales from New Owners | Percent of Resorts Responding |
|-----------------------|-------------------------------|
| <50%                  | 28%                           |
| 51 – 70%              | 49%                           |
| 71 – 90%              | 19%                           |
| 91% or more           | 4%                            |

*Percent of 180 respondents — percentages may not add due to rounding*

Figure 2.8 **Types of Rental Program Offered**

| Rental Type                            | Percent of Resorts Responding |
|----------------------------------------|-------------------------------|
| Daily rentals                          | 98%                           |
| Weekly rentals                         | 84%                           |
| Monthly rentals                        | 39%                           |
| Rental rates that vary based on season | 94%                           |
| Rental programs for marketing guests   | 58%                           |
| Other, specify                         | 25%                           |

*Percent of 365 respondents — multiple responses allowed*

On average, 58% of timeshare sales are from new owners, up from 55% in 2010. Figure 2.7 shows the distribution of the percentage of sales to new owners — 72% of resorts have at least half of their sales from new owners<sup>14</sup>. Forty-two 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 marketing costs associated with repeat sales are lower than for first time buyers.

As noted in Figure 2.4, renters occupied 12% of timeshare intervals in 2011. Eighty-six percent of resorts report offering some form of rental program, up from 82% in 2010. Figure 2.8 shows the types of rental programs they offer. Nearly all (98%) resorts with a rental program offer daily rentals and most offer weekly rentals (84%). These rental programs generally have rates that vary by season (94%). About 58% 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.

<sup>14</sup> “New owners” are owners that are new to the responding resorts/development companies, but not necessarily new to the timeshare industry.

Figure 2.9 shows the rental revenue associated with these rentals. There were about 10.4 million nights rented in 2011, at an average price of \$162 per night. This translates to another \$1.7 billion in rental revenue for the timeshare industry last year, about a 37% increase from one year ago. As noted previously, resort rental programs and the corresponding occupancy related to rentals increased significantly in 2011.

Figure 2.9 **Rental Revenue**

| Metric                         | 2011          |
|--------------------------------|---------------|
| Total rental revenue           | \$1.7 billion |
| Total nights rented            | 10.4 million  |
| Average rental price per night | \$162         |

*There were about 10.4 million nights rented in 2011, at an average price of \$162 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

- Average resort size – in number of units
- 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 (more than 100 units). Even though the average resort size is 125 units, 42% of resorts have less than 50 units, while 34% 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 are highest for the largest resorts: large resorts tend to be newer and have more amenities and correspondingly higher maintenance fees.

Figure 2.10 Performance by Resort Size

| Number of Units | Percent of Resorts | Average Size (# Units) | Total Sales Volume (\$B) | Sales Price per Interval | Average Occupancy | Average Maintenance Fees per Interval |
|-----------------|--------------------|------------------------|--------------------------|--------------------------|-------------------|---------------------------------------|
| 0-50            | 42%                | 27                     | \$0.4                    | \$16,069                 | 78.6%             | \$781                                 |
| 51-100          | 24%                | 72                     | \$0.8                    | \$17,588                 | 76.5%             | \$726                                 |
| More than 100   | 34%                | 274                    | \$5.3                    | \$18,732                 | 79.3%             | \$847                                 |
| Overall         | 100%               | 125                    | \$6.5                    | \$18,401                 | 78.9%             | \$786                                 |

Percent of 604 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 2.11 compares the performance measures of the resorts for groups based on sales volume. Ninety-four percent of resorts had less than \$25 million in total sales for 2011. Resorts with \$25 million or more in sales are increasingly larger resorts and have a higher average sales price.

Figure 2.11 Performance by Sales Volume

| Sales Volume in Millions (M) | Percent of Resorts | Average Size (# Units) | Total Sales Volume (\$B) | Sales Price per Interval | Average Occupancy | Average Maintenance Fees per Interval |
|------------------------------|--------------------|------------------------|--------------------------|--------------------------|-------------------|---------------------------------------|
| None                         | 52%                | 76                     | \$0.0                    | —                        | 77.4%             | \$706                                 |
| Less than \$25M              | 42%                | 122                    | \$2.7                    | \$16,008                 | 77.3%             | \$841                                 |
| \$25M to \$49.9M             | 4%                 | 396                    | \$1.5                    | \$16,054                 | 85.3%             | \$943                                 |
| \$50M to \$99.9M             | 2%                 | 461                    | \$1.9                    | \$24,887                 | 81.5%             | \$1,023                               |
| \$100M+                      | <1%                | 1348                   | \$0.5                    | \$27,133                 | 80.4%             | \$880                                 |
| Overall                      | 100%               | 125                    | \$6.5                    | \$18,401                 | 78.9%             | \$786                                 |

Percent of 662 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 2.12 shows the results.

Figure 2.12 **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         | 46%                                              | 30%    | 52%                  | 29%                                                  |
| Country/lakes | 19%                                              | 25%    | 32%                  | 15%                                                  |
| Golf          | 22%                                              | 74%    | 79%                  | 11%                                                  |
| Ski           | 5%                                               | 29%    | 29%                  | 9%                                                   |
| Island        | 20%                                              | 9%     | 19%                  | 7%                                                   |
| Urban         | 15%                                              | 14%    | 23%                  | 6%                                                   |
| Theme park    | 4%                                               | 25%    | 25%                  | 6%                                                   |
| Rural/coastal | 28%                                              | 15%    | 30%                  | 4%                                                   |
| Desert        | 4%                                               | 14%    | 15%                  | 2%                                                   |
| Gaming        | 7%                                               | 19%    | 22%                  | 2%                                                   |
| Other         | —                                                | —      | —                    | 8%                                                   |

*Percent of 492 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 2.13 **Performance by Resort Type**

| Region        | Percent of Resorts | Average Size (# Units) | Total Sales Volume (\$B) | Sales Price per Interval | Average Occupancy | Average Maintenance Fees per Interval |
|---------------|--------------------|------------------------|--------------------------|--------------------------|-------------------|---------------------------------------|
| Beach         | 29%                | 93                     | \$1.1                    | \$15,436                 | 79.5%             | \$729                                 |
| Country/lakes | 15%                | 118                    | \$1.2                    | \$11,337                 | 69.4%             | \$637                                 |
| Golf          | 11%                | 193                    | \$1.0                    | \$18,813                 | 83.2%             | \$723                                 |
| Ski           | 9%                 | 78                     | \$0.4                    | \$18,144                 | 65.1%             | \$839                                 |
| Island        | 7%                 | 124                    | \$0.7                    | \$24,820                 | 89.5%             | \$1,016                               |
| Urban         | 6%                 | 94                     | \$0.4                    | \$22,449                 | 79.4%             | \$869                                 |
| Theme park    | 6%                 | 333                    | \$1.1                    | \$10,649                 | 77.6%             | \$750                                 |
| Other*        | 17%                | 127                    | \$0.6                    | \$15,912                 | 77.1%             | \$718                                 |
| Overall       | 100%               | 125                    | \$6.5                    | \$18,401                 | 78.9%             | \$786                                 |

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

Figure 2.13 compares the performance for the most common resort types<sup>15</sup>. Theme Park and Golf resorts tend to be the largest. Island resorts have the highest average sales price, occupancy and maintenance fees.

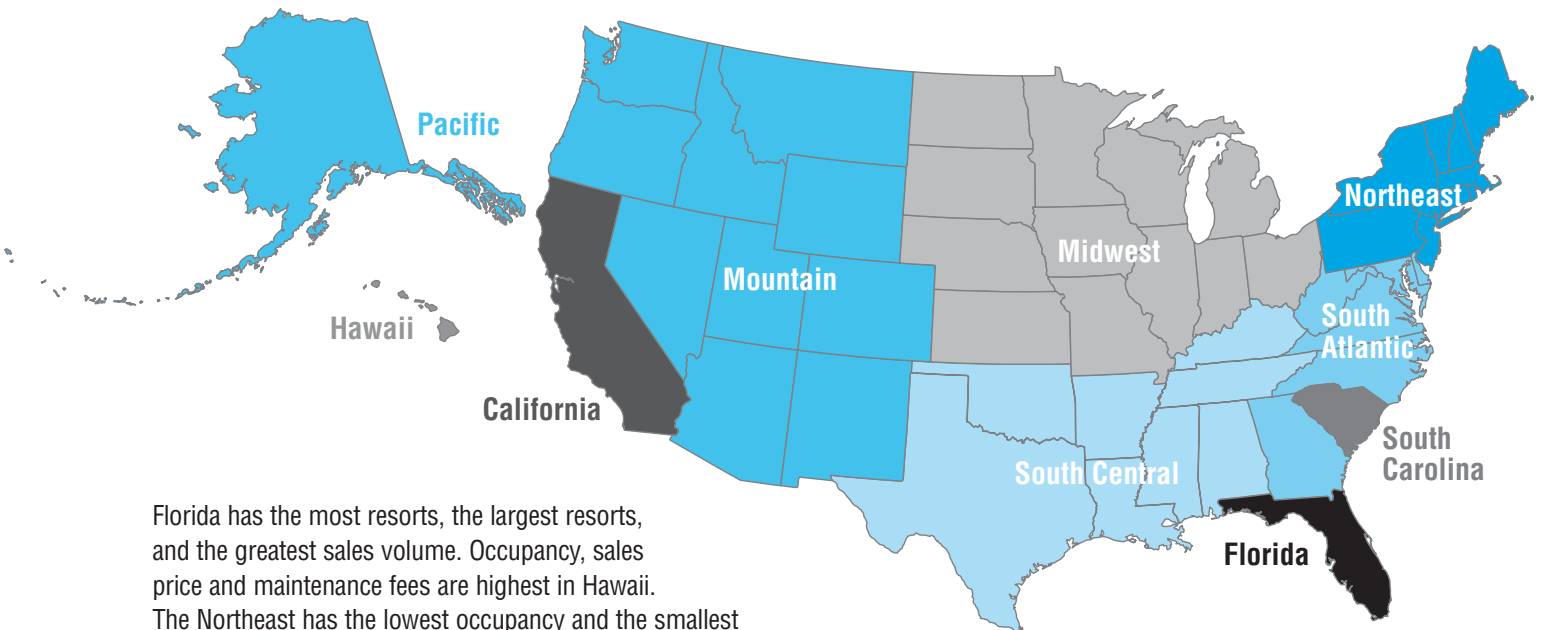
<sup>15</sup> We did not report on the other resort types due to insufficient data.

**Geographic Region**

The next segment is geographical region of the country. We looked at the four 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 2.14 shows a list of states represented by each region, and Figure 2.15 compares the performance by region.

Figure 2.14 Geographic Regions

| Region           | States                                         |
|------------------|------------------------------------------------|
| Florida          | FL                                             |
| California       | CA                                             |
| South Carolina   | SC                                             |
| Hawaii           | HI                                             |
| Mountain/Pacific | CO, UT, NV, MT, AZ, WY, ID, NM, AK, OR, WA     |
| Northeast        | CT, ME, MA, NH, RI, VT, NJ, NY, PA             |
| 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, and the greatest sales volume. Occupancy, sales price and maintenance fees are highest in Hawaii. The Northeast has the lowest occupancy and the smallest resorts. The South Atlantic has the lowest maintenance fees; the South Central has the lowest average interval price. This may reflect a heavier concentration of older resorts in these regions.

Figure 2.15 Performance by Geographic Region

| Region           | Percent of Resorts | Average Size (# Units) | Total Sales Volume (\$B) | Sales Price per Interval | Average Occupancy | Average Maintenance Fees per Interval |
|------------------|--------------------|------------------------|--------------------------|--------------------------|-------------------|---------------------------------------|
| Florida          | 23%                | 199                    | \$2.4                    | \$18,632                 | 81.0%             | \$775                                 |
| California       | 8%                 | 116                    | \$0.4                    | \$20,702                 | 84.6%             | \$753                                 |
| S. Carolina      | 7%                 | 124                    | \$0.4                    | \$16,706                 | 77.7%             | \$670                                 |
| Hawaii           | 6%                 | 136                    | \$0.6                    | \$29,393                 | 87.0%             | \$929                                 |
| Mountain/Pacific | 20%                | 96                     | \$0.7                    | \$15,590                 | 79.8%             | \$760                                 |
| Northeast        | 11%                | 79                     | \$0.4                    | \$11,188                 | 62.0%             | \$614                                 |
| South Central    | 9%                 | 128                    | \$0.8                    | \$11,143                 | 68.7%             | \$635                                 |
| Midwest          | 8%                 | 108                    | \$0.6                    | \$10,262                 | 74.8%             | \$644                                 |
| South Atlantic   | 8%                 | 122                    | \$0.4                    | \$17,545                 | 63.5%             | \$613                                 |
| Overall          | 100%               | 125                    | \$6.5                    | \$18,401                 | 78.9%             | \$786                                 |

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 newer and more expensive resorts. Not surprisingly, maintenance fees also increase with sales price.

Figure 2.16 Performance by Average Sales Price

| Average Sales Price  | Percent of Resorts | Average Size (# Units) | Total Sales Volume (\$B) | Sales Price per Interval | Average Occupancy | Average Maintenance Fees per Interval |
|----------------------|--------------------|------------------------|--------------------------|--------------------------|-------------------|---------------------------------------|
| Less than \$10,000   | 21%                | 175                    | \$1.2                    | \$7,228                  | 74.7%             | \$700                                 |
| \$10,000 to \$19,999 | 30%                | 131                    | \$1.1                    | \$13,586                 | 71.6%             | \$728                                 |
| \$20,000 to \$29,999 | 32%                | 209                    | \$2.5                    | \$24,826                 | 84.3%             | \$948                                 |
| \$30,000 or more     | 17%                | 144                    | \$1.7                    | \$42,755                 | 84.4%             | \$1,015                               |
| Overall              | 100%               | 125                    | \$6.5                    | \$18,401                 | 78.9%             | \$786                                 |

Percent of 318 respondents — percentages may not add due to rounding

*Note that in 2011, resorts with an average sales price of less than \$20,000 accounted for \$2.3 billion in total sales, compared to \$4.2 billion in sales for resorts with an average sales price of \$20,000 or more. Last year, these totals were \$1.9 billion and \$4.5 billion, respectively. This shift toward intervals priced under \$20,000 helps explain the decrease in the average overall sales price from 2010 to 2011.*

# 24 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 and expected construction.

Figure 3.1 **Recent Performance Trends**

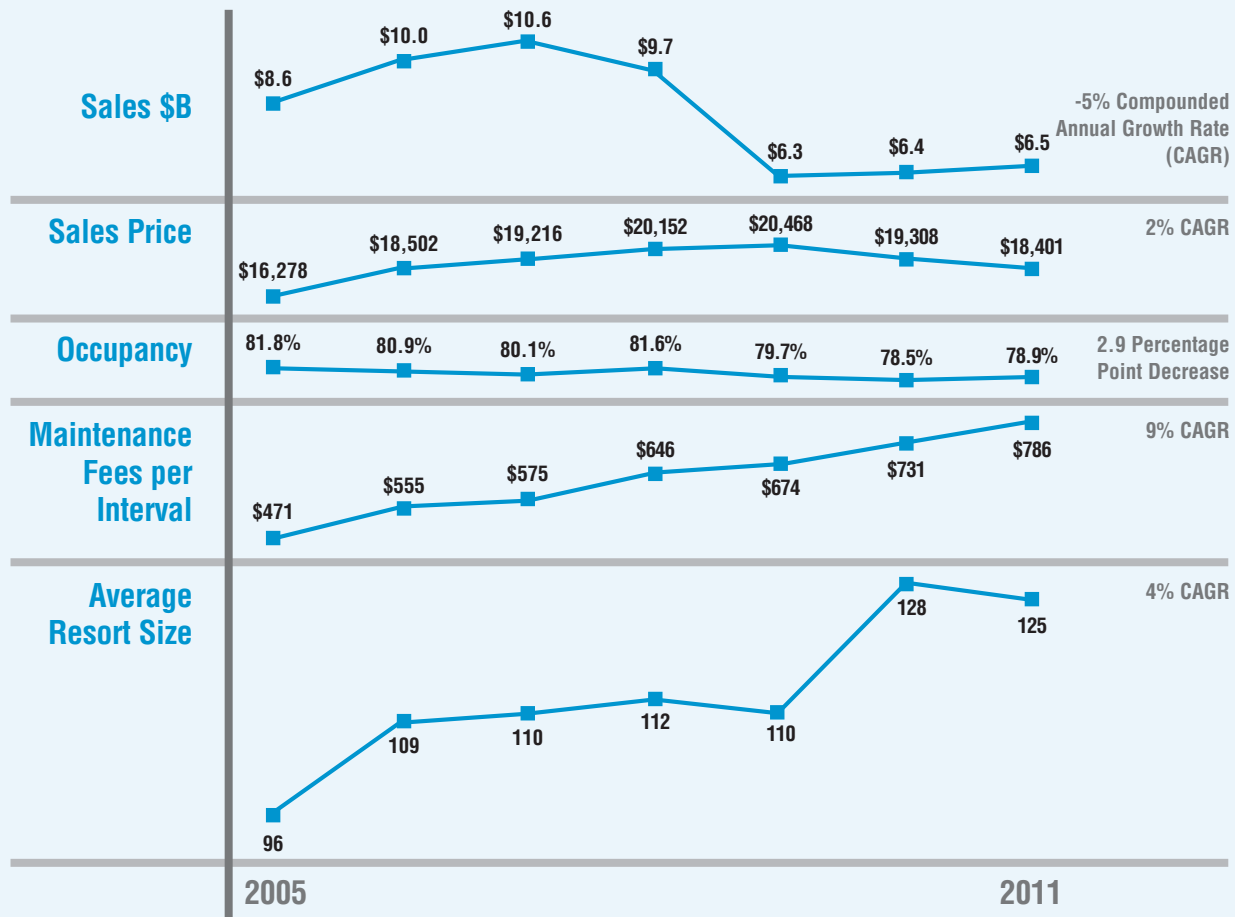


Figure 3.1 displays trends for the industry’s five key performance measures since 2005. Sales volume has decreased by 25% since 2005. This is primarily driven by the 34% drop in sales for 2009. At the same time, price increased by 13% — an average of 2% compounded annually. Occupancy decreased slightly over the timeframe, with most of the decrease coming in 2009 and 2010. Maintenance fees have increased steadily since 2005, by about 9% annually. Average resort size has seen two significant increases — in 2006 and 2010. The increase in 2010 is attributable to a change in the respondent pool.

Figure 3.2 shows the change from 2010 to 2011 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 2010 and 2011**

|                   | 2010    | 2011    | Change | Percent Change '10 to '11 |
|-------------------|---------|---------|--------|---------------------------|
| Number of Resorts | 581     | 580     | - 1    | - 0.2%                    |
| Number of Units   | 73,787  | 74,060  | 273    | 0.4%                      |
| Average Units     | 127     | 128     | 1      | 0.5%                      |
| Total Sales (\$M) | \$3,402 | \$3,460 | \$59   | 1.7%                      |

Note: Numbers may not add due to rounding

In 2010, these respondents had 581 resorts and 73,800 units, for an average resort size of around 127 units. In 2011, the number of resorts decreased to 580 and the number of units increased to about 74,100, for an average resort size of 128 units. The \$3.5 billion in 2011 sales for these respondents is more than half of overall industry sales, even though they represent about 38% of the industry's units.

The average resort size for this group was up by less than 1% in 2011, while total sales volume increased by about 2%. In general, changes in this report's industry-wide estimates are not due to changes in the population of responding resorts. For example, the 2011 change in sales volume is very much in line with the industry estimates as a whole. However, the slight increase in average resort size among these respondents suggests that the modest decrease in 2011 average resort size noted in Figure 3.1 is due largely to changes in the responding population of resorts.

Returning to our consideration of all survey respondents, Figure 3.3 shows estimates of construction of new timeshare units. Respondents expect to build around 1,400 units in 2012; they estimate another 1,900 new units in 2013 and beyond. This reflects 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 – 2012  | 1,380           |
| Units expected to be built – 2013+ | 1,914           |

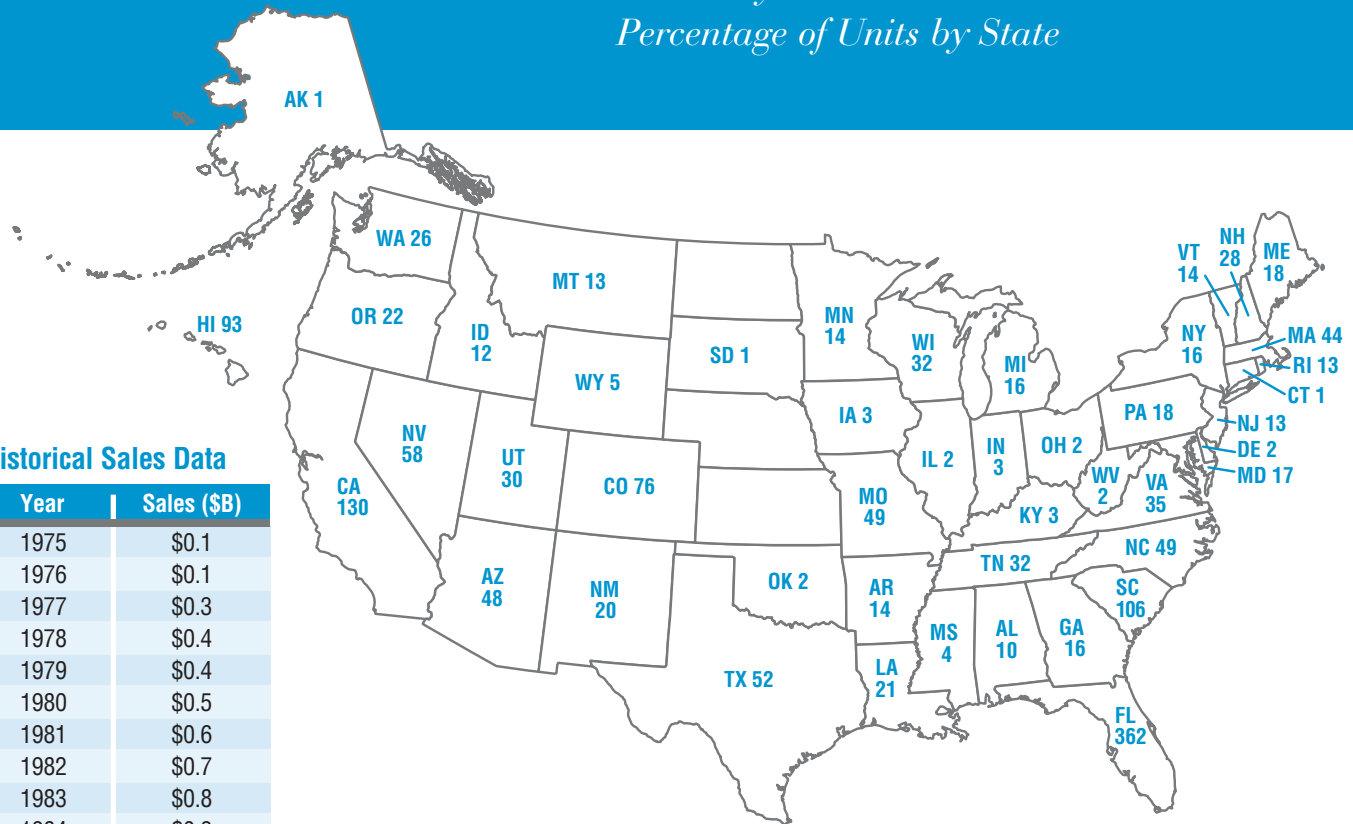
Figure 3.4 **Resort Construction**

|                                                       | Total |
|-------------------------------------------------------|-------|
| New resorts planned for completion in 2012 and beyond | 3     |
| Associated number of units in 2012                    | 138   |
| New resorts planned for completion in 2013 and beyond | 5     |
| Associated number of units in 2013                    | 11    |

The results of this chapter point to a stabilization of the industry's key fundamentals over the past two years. Sales have increased slightly while occupancy has remained fairly steady — even the occupancy decreases in 2009 and 2010 were minor. Average sales price has historically fluctuated from year to year as the sales mix shifts — in some years timeshare purchasers may buy more intervals in smaller units, lesser demanded seasons or at less expensive resorts. Resort and unit construction have slowed as the industry works through excess inventory created by the economic downturn. Increased use of fee for service models and the rental market demonstrate flexibility in managing these challenges. As note in chapter two, the industry has been able to attract more new owners in 2011, reversing a trend of increasing reliance on existing owners. Continued strong demand from new owners, coupled with a decreasing inventory of timeshare intervals could be the keys to driving new growth in sales and eventually timeshare resort and unit construction.

# 26 IV. APPENDIX A

## Historical Sales Data Resorts by State Percentage of Units by State



### Historical Sales Data

| Year | Sales (\$B) |
|------|-------------|
| 1975 | \$0.1       |
| 1976 | \$0.1       |
| 1977 | \$0.3       |
| 1978 | \$0.4       |
| 1979 | \$0.4       |
| 1980 | \$0.5       |
| 1981 | \$0.6       |
| 1982 | \$0.7       |
| 1983 | \$0.8       |
| 1984 | \$0.9       |
| 1985 | \$1.0       |
| 1986 | \$1.0       |
| 1987 | \$1.0       |
| 1988 | \$1.1       |
| 1989 | \$1.2       |
| 1990 | \$1.2       |
| 1991 | \$1.3       |
| 1992 | \$1.4       |
| 1993 | \$1.5       |
| 1994 | \$1.7       |
| 1995 | \$1.9       |
| 1996 | \$2.2       |
| 1997 | \$2.7       |
| 1998 | \$3.1       |
| 1999 | \$3.6       |
| 2000 | \$4.1       |
| 2001 | \$4.8       |
| 2002 | \$5.5       |
| 2003 | \$6.5       |
| 2004 | \$7.9       |
| 2005 | \$8.6       |
| 2006 | \$10.0      |
| 2007 | \$10.6      |
| 2008 | \$9.7       |
| 2009 | \$6.3       |
| 2010 | \$6.4       |
| 2011 | \$6.5       |

### Resorts by State

| State | Resorts | State | Resorts |
|-------|---------|-------|---------|
| FL    | 362     | NY    | 16      |
| CA    | 130     | GA    | 16      |
| SC    | 106     | AR    | 14      |
| HI    | 93      | MN    | 14      |
| CO    | 76      | VT    | 14      |
| NV    | 58      | MT    | 13      |
| AZ    | 48      | NJ    | 13      |
| TX    | 52      | RI    | 13      |
| MO    | 49      | ID    | 12      |
| NC    | 49      | AL    | 10      |
| MA    | 44      | WY    | 5       |
| UT    | 30      | MS    | 4       |
| VA    | 35      | IA    | 3       |
| WI    | 32      | IN    | 3       |
| TN    | 32      | KY    | 3       |
| NH    | 28      | DE    | 2       |
| WA    | 26      | IL    | 2       |
| OR    | 22      | OH    | 2       |
| LA    | 21      | OK    | 2       |
| NM    | 20      | WV    | 2       |
| ME    | 18      | AK    | 1       |
| PA    | 18      | CT    | 1       |
| MD    | 17      | SD    | 1       |
| MI    | 16      |       |         |

### Percentage of Units by State

| State      | % of Units |
|------------|------------|
| FL         | 35%        |
| CA         | 9%         |
| SC         | 8%         |
| HI         | 7%         |
| NV         | 4%         |
| TN         | 4%         |
| TX         | 3%         |
| CO         | 3%         |
| MO         | 3%         |
| AZ         | 3%         |
| All others | 21%        |

Note: There was not sufficient response to report the number of units at the state level for each state.

Source: Ragatz Associates, American Economics Group and AIF

# 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



**2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY**

Thank you for participating in the 2012 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, 2012. Return via email to Joe.Callender@ey.com**

If you submitted a response to us last year, we have used that data to pre-populate fields that are unlikely to change. We hope this makes this questionnaire easier to complete. Please review the answers in case anything has changed since last year.

**I. Resort Identification**

**1. Is this resort part of a multiple resort family?**

- Yes – Please contact Joe Callender at 202-327-5692 or Joe.Callender@ey.com if interested in providing the information below via an Excel spreadsheet for all your resorts.
- No

**2. Resort identifying information**

Resort Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
 Website \_\_\_\_\_

**3. Contact person** (General information for individual completing survey)

First Name \_\_\_\_\_  
 Last Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Company Name \_\_\_\_\_  
 Telephone Number \_\_\_\_\_

**4. Resort management information** (Complete only if applicable)

Name of Development Company \_\_\_\_\_  
 Name of Management Company \_\_\_\_\_  
 Home Owners Association(s) *If multiple HOAs please use a comma to separate*  
 \_\_\_\_\_  
 Name of Marketing Company \_\_\_\_\_

**II. Resort Characteristics**

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

*Note: Active sales resorts are defined as resorts that sold 100 or more new weekly intervals or points equivalent sales during 2011, excluding re-sales. All other resorts are considered not in active sales.*

- 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 why this resort closed**

(Open-ended; only answer if stage above equals Closed)



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**II. Resort Characteristics — continued**

**2. How many timeshare units does this resort have by size as of December 31, 2011?**

*If you don't have a given type of unit, please fill in '0'. NOTE: Please do not include commas when reporting numeric values. (i.e., the amount 1,000 should be reported as 1000.)*

- |                                               |                                                     |
|-----------------------------------------------|-----------------------------------------------------|
| _____ 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       |
| _____ <b>Total count lockoffs as one unit</b> | _____ <b>Total count lockoffs as separate units</b> |

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

*If you don't have a given type of unit, please fill in "0." NOTE: Please do not include commas when reporting numeric values. (i.e., the amount 1,000 should be reported as 1000.)*

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

**4. Which of the following types of intervals does this resort currently have? (Check all that apply)**

- Timeshare points
- One or both of the following types of weekly intervals:
  - Traditional interval weeks
  - Interval weeks with the ability to use through a timeshare points system

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

*(Check all that apply)*

- Biennials
- Triennials
- Other, specify \_\_\_\_\_

**6. Please provide the following information on weekly intervals\* at your resorts:**

**As of  
December 31, 2011**

**What is the total number of weekly equivalent intervals owned at your resort as of December 31, 2011 by owners other than the developer or HOA?**

Please include any intervals sold since the resort's inception, unless they have been reacquired by the developer or are owned by the HOA.

\_\_\_\_\_

**What is the total number of weekly equivalent intervals at your resort that are owned by the HOA as of December 31, 2011?**

\_\_\_\_\_

**What is the total number of weekly equivalent intervals at your resort that are owned by the developer as of December 31, 2011?** Please include any intervals that have never been sold and intervals that have been reacquired by the developer.

\_\_\_\_\_

**Total**

\_\_\_\_\_

*\* 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.*



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**II. Resort Characteristics — continued**

**7. Excluding intervals owned by the HOA or developer, how many intervals are owned by each of the following entities?** *Note: The total in this table should equal the amount provided in the first line of the table from the previous question.*

|                                                                                                                               | <b>Number of<br/>Intervals Owned</b> |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Individuals who own less than seven weekly intervals                                                                          | _____                                |
| Individuals who own seven or more weekly intervals                                                                            | _____                                |
| Timeshare clubs                                                                                                               | _____                                |
| Travel clubs (provide members with services, discounts or other benefits on services related to travel).                      | _____                                |
| Rescue, relief, postcard type companies (offer to transfer ownership of timeshare interests to the company or another person) | _____                                |
| Other, please specify _____                                                                                                   | _____                                |
| Total                                                                                                                         | _____                                |

**8. Please list the number of different companies of each of the following types that own intervals at this resort.**

|                                         | <b>Number of<br/>Different Companies</b> |
|-----------------------------------------|------------------------------------------|
| Travel clubs                            | _____                                    |
| Rescue, relief, postcard type companies | _____                                    |

**9. Do your resort's owners own interests in real estate at your resort?**

- Yes (Answer Q9a)
- No (Answer Q9b)

**9a. Please select any applicable legal structures of your owners' timeshare interests**

- Undivided interest (UDI)
- Deeded weeks
- Points
- Deeds held in trust
- Condominium
- Interest in a cooperative corporation (an association or corporation owned by individual consumers whose interest (often shares of stock) in the cooperative entitles them to use the timeshare accommodations that the coop owns)
- Both deeded and right-to-use owners
- Other, please specify \_\_\_\_\_

**9b. Please select any applicable legal structures of your owners' timeshare interests:**

- Points
- Right to use
- Membership
- License
- Lease
- Both deeded and right-to-use owners
- Other, please specify \_\_\_\_\_



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**II. Resort Characteristics — continued**

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

- Beach
- Country/Lakes
- Desert
- Gaming
- Golf
- Island
- Rural/Coastal
- Ski
- Theme Park
- Urban
- Note any other vacation experience not listed

11. Which ONE characteristic best describes this resort? (Please select only one)

- Beach
- Country/Lakes
- Desert
- Gaming
- Golf
- Island
- Rural/Coastal
- Ski
- Theme Park
- Urban
- Note any other vacation experience not listed

**III. Occupancy and Fees**

Please answer the following questions for your **timeshare units only**.

1. What was your timeshare occupancy mix by type? 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.

**2011**

- Owner or owner's guest \_\_\_\_\_
- Exchange guest \_\_\_\_\_
- Renter \_\_\_\_\_
- Marketing guest \_\_\_\_\_
- Vacant \_\_\_\_\_
- Total** (should be 100%) \_\_\_\_\_

2. What were your maintenance fees billed per unit per interval in 2011, including contributions to reserves but excluding special assessments and property taxes? NOTE: Please do not include commas when reporting numeric values. (i.e., the amount 1,000 should be reported as 1000.)

Maintenance fees billed per unit per interval

Studio \_\_\_\_\_ 1BR \_\_\_\_\_ 2BR \_\_\_\_\_ 3+BR \_\_\_\_\_

\* Points-based developers may calculate weeks 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.

3. What is the total amount of revenue you collected in 2011 over all intervals at this resort for each of the following categories? Please include amounts paid by the developer, for example, on unsold intervals held in inventory, and/or subsidies and guarantees.

**In 2011**

- Maintenance fees \_\_\_\_\_
- Contributions to reserves \_\_\_\_\_
- Special assessments and other revenue sources \_\_\_\_\_
- Rentals \_\_\_\_\_
- Re-sales \_\_\_\_\_
- Recreational use fees (bike rentals, videos, etc.) \_\_\_\_\_
- Food & beverage \_\_\_\_\_
- Housekeeping \_\_\_\_\_
- Telecommunication (telephone, Internet etc.) \_\_\_\_\_
- Developer subsidy \_\_\_\_\_
- Laundry \_\_\_\_\_
- Other, please specify \_\_\_\_\_
- Total** \_\_\_\_\_



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**III. Occupancy and Fees — continued**

4. As of Dec 31, 2011, what percent of your total billed maintenance fees were in each of the following categories? Please do not include maintenance fees billed for 2012.

- 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%) \_\_\_\_\_

5. What percentage of owners lost their ownership due to non-payment of fees and/or mortgages? \_\_\_\_\_%

**IV. Timeshare Operating Expenses**

*Note: Ernst & Young is using an expenditure-based approach to quantify the economic impact of the timeshare industry. In this approach, Ernst & Young will estimate the typical level of expenditures generated by sales operations, resort management operations (including the operation of timeshare-related amenities), corporate offices and call centers. Therefore, in completing survey forms it is important that each employee or dollar of expenditures made by a particular company be reported in only one category. For mixed-use projects (e.g. timeshare resort and on-site hotel), allocate a portion of total resort employment and expenditures to the timeshare operation. This expense information will be used to derive economic multipliers that reflect the additional economic activity that will occur when timeshare properties purchase goods and services produced by suppliers located in the United States.*

**Resort Management Operations**

1. Please provide the following information for your resort employees only. Include full-time, part-time, temporary and contract employees (Please do not include people in sales operations as these employees are reported in Question 2 below).

In 2011

**Annual average number of employees for 2011.** Calculate using the average between the number of employees on January 1, 2011 and the number of employees on December 31, 2011. \_\_\_\_\_

**Total employee compensation in dollars.** Include wages and salaries; commissions; the cost of benefits such as health and life insurance; retirement payments; employer and employee shares of FICA taxes (social security and Medicare); federal, state and local income tax withholding; and non-cash compensation. Figures reported should be the annual total, and should correspond to the employees reported above. Cash and stock bonuses should be reported in the year in which they are paid to employees. \_\_\_\_\_

2. Please provide your non-labor operating expenses at your resort in dollars. \$ \_\_\_\_\_

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

3. Please provide the following information for your sales operations only. Include full-time, part-time, temporary and contract employees.

In 2011

**Annual average number of employees for 2011.** Calculate using the average of the number of employees on January 1 and the number on December 31 \_\_\_\_\_

**Total employee compensation in dollars.** Include wages and salaries; commissions; the cost of benefits such as health and life insurance; retirement payments; employer and employee shares of FICA taxes (social security and Medicare); federal, state and local income tax withholding; and non-cash compensation. Figures reported should be the annual total, and should correspond to the employees reported above. Cash and stock bonuses should be reported in the year in which they are paid to employees. \_\_\_\_\_



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**IV. Timeshare Operating Expenses — continued**

4. Please provide your non-labor operating expenses at your resort in dollars. \$ \_\_\_\_\_

**Corporate, Regional or Call Center Operations Expenses**

5. Please provide the following information for your corporate, regional and call center operations only. Include full-time, part-time, temporary and contract employees.

In 2011

Annual average number of employees for 2011. Calculate using the average of the number of employees on January 1 and the number on December 31 \_\_\_\_\_

Total employee compensation in dollars. Include wages and salaries; commissions; the cost of benefits such as health and life insurance; retirement payments; employer and employee shares of FICA taxes (social security and Medicare); federal, state and local income tax withholding; and non-cash compensation. Figures reported should be the annual total, and should correspond to the employees reported above. Cash and stock bonuses should be reported in the year in which they are paid to employees. \_\_\_\_\_

6. Please provide your non-labor operating expenses at your corporate, regional and call center operations in dollars. \$ \_\_\_\_\_

**V. Timeshare Taxes**

*Note: The goal of this question is to collect information on the full level of property and occupancy taxes paid, regardless of the individual or entity that actually makes payment to the local government entity. For example, include taxes that are paid by the HOA or management entity. If owners are responsible for paying property taxes directly, please include an estimate of the taxes paid by owners. If it is not possible to include an estimate of such taxes, please notify us. Property taxes include taxes on real estate and personal property.*

1. Please provide the total amount of property taxes paid during 2011, in dollars. Include information on the full level of property taxes paid, regardless of the individual or entity that actually makes payment to the local government entity.

In 2011

On resort property \_\_\_\_\_  
 At sales centers, both on-site and off-site \_\_\_\_\_  
 For regional office, corporate office and/or call center operations \_\_\_\_\_

2. Please provide the total amount of occupancy taxes paid during 2011, in dollars. Include any accommodation taxes paid by occupants of timeshare units, such as sales tax on room charges, room tax, transient occupancy tax and nightly taxes on owners. Include the full amount paid to state and local governments by occupants or resort. Enter a zero if no occupancy taxes were paid. Enter "N/A" if information on the amount of occupancy tax paid is not available.

In 2011

State Occupancy Taxes \_\_\_\_\_  
 Local Occupancy Taxes \_\_\_\_\_

3. Please provide the total amount of corporate income taxes paid by your organization for 2011, in dollars.

In 2011

State and Local Income Tax Paid \_\_\_\_\_  
 Federal Income Tax Paid \_\_\_\_\_  
 Total \_\_\_\_\_



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**VI. Resort Timeshare Sales**

Please answer the following questions in the context of new sales for your timeshare units only.

1. Did this resort offer new timeshare inventory for sale in 2011? New inventory is considered “first generation” or “developer sales”.

- Yes
- No (Skip to Section VII)

2. What were your total new timeshare sales in 2011? NOTE: Please do not include commas when reporting numeric values. (i.e., the amount 1,000 should be reported as 1000.)

How many timeshare intervals were available for sale at this resort? Include all intervals available as of Dec 31, 2010 and any that were made available during calendar year 2011.

\_\_\_\_\_

Of these how many were sold in 2011? 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. Count biennial sales as 1/2 of a week and triennial sales as 1/3 of a week.

\_\_\_\_\_

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.

\_\_\_\_\_

3. For your new timeshare sales listed above, how much is allocated in the following categories. Exclude sales for trial memberships and sampler programs and sales of biennials and triennials

|                                                                | In 2011                      |                          |                       |                    |
|----------------------------------------------------------------|------------------------------|--------------------------|-----------------------|--------------------|
|                                                                | Intervals available for sale | Number of intervals sold | Net sales volume (\$) | Average Price (\$) |
| Points based intervals<br>(Excluding biennials and triennials) | _____                        | _____                    | _____                 | _____              |
| Weeks based intervals*<br>(Excluding biennials and triennials) | _____                        | _____                    | _____                 | _____              |
| Total                                                          | _____                        | _____                    | _____                 | _____              |

\*Includes traditional interval weeks and interval weeks with the ability to use through a timeshare points system

4. For your new timeshare sales listed above, how much is allocated in the following categories. Exclude sales for trial memberships and sampler programs

|           | In 2011                                           |                       |                    |
|-----------|---------------------------------------------------|-----------------------|--------------------|
|           | Number sold (do not convert to weekly equivalent) | Net sales volume (\$) | Average Price (\$) |
| Biennials | _____                                             | _____                 | _____              |
| Other     | _____                                             | _____                 | _____              |

5. What was your 2011 sales volume associated with sales upgrades programs net of rescission, in dollars? Include upgrade sales that do not result in incremental ownership of time, such as a change in unit type, resort, or season

\$ \_\_\_\_\_



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**VI. Resort Timeshare Sales — continued**

**6. Of your total 2011 net sales volume as listed in question 2, indicate the approximate percentage sold to**

|                                                                                                        |                |
|--------------------------------------------------------------------------------------------------------|----------------|
|                                                                                                        | <b>Percent</b> |
| New owners (including owners who purchased as a result of participation in a trial membership program) | _____          |
| Existing owners                                                                                        | _____          |

**7. What was your 2011 net sales volume associated with trial membership/sampler programs net of rescissions, in dollars?**

*This value should not have been included in your response to question two of this section.* \$ \_\_\_\_\_

**8. Please provide the following information on your 2011 re-sale programs. 2011**

What was your 2011 re-sale inventory sales volume net of rescissions, in dollars? \_\_\_\_\_  
 What was the number of equivalent-weeks resold? \_\_\_\_\_

**9. Does this resort offer any of the following for sale?**

Fractional sales                       Private Residence Clubs  
 Whole ownership                       Membership programs                       Other, specify \_\_\_\_\_

**10. Of the timeshare interests sold in 2011 that are matched to units at this resort, what percentage was purchased at sales offices....**

...in the state \_\_\_\_\_%                      ...outside of the state \_\_\_\_\_%

**11. What was your total 2011 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.* \$ \_\_\_\_\_

**VII. Resort Improvement and Construction**

**1. How many timeshare units are recently built and planned at this resort. If you don't have a given type of units, please fill in '0'.**

|                                                                   |                        |
|-------------------------------------------------------------------|------------------------|
|                                                                   | <b>Number of Units</b> |
| # Timeshare Units Built in 2011                                   | _____                  |
| # Timeshare Units Planned for 2012                                | _____                  |
| # Timeshare Units Planned for 2013 or beyond (w/firm commitments) | _____                  |

**2. Please provide the dollar amounts spent for capital improvements in 2011. Only include capital improvements related to existing timeshare units and related amenities, exclude capital improvements related to the construction of new timeshare units. At mixed-use projects, allocate a portion of expenditures to the timeshare operation.**

|                            |                   |
|----------------------------|-------------------|
|                            | <b>In Dollars</b> |
| Renovation, refurbishment  | _____             |
| Other capital expenditures | _____             |

**3. How many new resorts does your company plan to build, and what is the associated number of units?**

|                                                       |                          |
|-------------------------------------------------------|--------------------------|
|                                                       | <b>Number of Resorts</b> |
| New Resorts Planned for Completion in 2012            | _____                    |
| Associated Number of Units in 2012                    | _____                    |
| New Resorts Planned for Completion in 2013 and beyond | _____                    |
| Associated Number of Units in 2013 and beyond         | _____                    |



2012 STATE OF THE VACATION TIMESHARE INDUSTRY SURVEY

**VII. Resort Improvement and Construction — continued**

**4. Please provide your total capital expenditures related to new resort construction in 2011.**

*Other costs include soft costs such as planning, architectural, engineering, and product registration fees (exclude maintenance fees on unsold inventory).*

In Dollars

|                                                            |       |
|------------------------------------------------------------|-------|
| Land                                                       | _____ |
| Construction (buildings and sitework)                      | _____ |
| Furniture, fixtures, equipment                             | _____ |
| Other costs (soft costs, permits, consultants' fees, etc.) | _____ |

**5. Please provide your 2011 non-resort capital expenditures in the following categories.**

|                            | Related to sales offices | Related to regional office, corporate office and/or call center facilities only |
|----------------------------|--------------------------|---------------------------------------------------------------------------------|
| New construction           | _____                    | _____                                                                           |
| Renovation, refurbishment  | _____                    | _____                                                                           |
| Other capital expenditures | _____                    | _____                                                                           |

**VIII. Timeshare Rental Program**

**1. Does your resort offer a rental program?**

- Yes
- No (Skip to end)

**2. What types of rental programs do you offer? (check all that apply)**

- Daily rentals
- Weekly rentals
- Monthly rentals
- Rental rates that vary based on season
- Rental programs for marketing guests
- Other, specify \_\_\_\_\_

**3. What is the total number of nights rented and the associated rental income for 2011?**

Total number of nights rented \_\_\_\_\_  
 Associated rental revenue \$ \_\_\_\_\_

**4. What is the commission rate you charge for rentals?** \_\_\_\_\_%

**5. Please list the total amount paid in 2011 related to lodging taxes or other taxes related to rental programs only. These taxes are separate from the occupancy taxes in the "Resort Timeshare Taxes" section**

\$ \_\_\_\_\_

From time to time, the American Resort Development Association 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, please add me to your list to receive newsletters on legislative efforts that affect my timeshare business.  
 EMAIL ADDRESS: \_\_\_\_\_

- No, thank you

To learn more about the sponsors of this survey, follow these links:  
[www.arda.org](http://www.arda.org) and [www.ardafoundation.org](http://www.ardafoundation.org)



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## 2012–2013

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