2013 EXECUTIVE SUMMARY

STATE *of the* VACATION TIMESHARE INDUSTRY:

United States Study

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Quality In Everything We Do

2013 EDITION

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This study is an estimate of key metrics that provide an overview of the vacation timeshare industry in the United States. It is not a comment on any individual company, whose performance may vary from the information included in this study.

EXECUTIVE SUMMARY

Industry Overview

There were 1,551 timeshare resorts in the United States in 2012, representing about 189,200 units for an average resort size of 122 units. There were 8.3 million intervals owned. Among these intervals, 86% were owned by resort owners (consumer owners or other purchasers), while 12% were under the ownership of developers.

Industry Size

Measure	2012
Resorts	1,551
Units	189,222
Average resort size	122 units
Intervals owned	8.3 million
Total units including lock-offs	242,430

Key performance metrics 2012

Metric	2012
Sales volume	$6.9 billion
Number of timeshare intervals sold	366,155
Sales price per interval	$18,723
Points equivalent	$24,710
Weeks	$13,267
Occupancy	76.9%
Average maintenance fee per interval	$822

Industry Health

Year 2012 sales volume totaled $6.9 billion, increasing by 6% from 2011. There were about 366,200 timeshare intervals sold at an average price of $18,700, increases of 3% and 2%, respectively, from 2011.

The weighted average maintenance fee charged per interval was $822, up by about 5% from 2011. The average was $542 for studios, $656 for one bedroom units, and $921 for units with two or more bedrooms.

About 87% of maintenance fee accounts were current or fewer than 31 days delinquent in 2012.

Average occupancy was 77% in 2012. By comparison, hotel occupancy was 61%[1] in 2012, according to Smith Travel Research. Timeshare occupancy includes about 59% of occupants who were either owners or exchange guests and 18% who were renters and/or marketing guests.

Maintenance fee delinquencies

Status	Percent of maintentance fee accounts
Current (fewer than 31 days delinquent)	87%
31-60 days delinquent	0%
61-90 days delinquent	0%
91-120 days delinquent	1%
More than 120 days delinquent	12%
Total	100%

Percent of 229 respondents — percentages may not add due to rounding

There were about 9.6 million nights rented in 2012, at an average price of $163 per night. This translates to approximately $1.6 billion in rental revenue for the timeshare industry last year.

Rental revenue

Metric	2012
Total rental revenue	$1.6 billion
Total nights rented	9.6 million
Average rental price per night	$163

Based on 418 respondents

1 *STR Monthly Hotel Review: December 2012*, Smith Travel Research.

Industry Segments

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, the report presents five important industry measures: average resort size, sales volume, interval price, occupancy, and maintenance fees. The following observations emerged:

- Sales volume, occupancy and maintenance fees tended to be highest at resorts with 100 or more units in 2012.
- 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 have the highest occupancy and maintenance fees.
- 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.
- Occupancy is much higher for resorts priced at $20,000 and above compared to those priced lower than $20,000. Almost half of total sales occurred among intervals priced between $20,000 and $29,999. Maintenance fees tend to increase with sales price.

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	24%	212	$2.7	$18,170	75.4%	$759
California	9%	117	$0.4	$17,269	83.7%	$781
S. Carolina	7%	119	$0.5	$15,759	79.7%	$708
Hawaii	6%	116	$0.6	$29,290	87.9%	$1,019
Mountain/Pacific	20%	99	$0.6	$16,835	77.1%	$795
Northeast	11%	88	$0.4	$17,244	64.7%	$606
South Central	9%	138	$0.8	$11,273	69.6%	$675
South Atlantic	8%	102	$0.4	$15,867	65.2%	$640
Midwest	7%	114	$0.5	$8,434	65.8%	$662
Overall	100%	122	$6.9	$18,723	76.9%	$822

Percent of 1,551 resorts — percentages may not add due to rounding

Sold Out Resorts

Among resorts that indicated that they were not in-sales, 254 resorts provided data on the management of sold out resorts. This information focused on two main topics — special assessments and reserve funds.

About 15% of sold out resorts reported having a special assessment in 2012. Nearly all respondents reported that the assessment was related to a planned refurbishment. Only a handful noted that the assessment was related to unanticipated concerns such as a natural disaster or some failure of capital assets.

The median reserve balance held by resorts is $14,300 per unit. Almost a quarter of respondents conduct a reserve study every year — 71% conduct a reserve study at least every three years. About 63% of resorts conducted a reserve study in 2012 — 92% of resorts had conducted one in the past three years. On average, resorts reported that 18% of billed maintenance fees are contributed to reserve funding. About 85% of respondents indicated that their contributions to reserves from maintenance fees meet or exceed the levels recommended in the most recent reserve study. Among those resorts whose contributions are below recommended amounts, maintenance fee delinquencies are the most common cause.

Industry Outlook

In 2012, the timeshare industry began to show substantial sales growth for the first time since the most recent economic downturn. Among respondents providing data in both years, this growth was 9% — the highest level since 2006. Average sales price among those providing data in both years increased by more than 5% and occupancy held steady.

Respondents reported an increased interest in new construction, particularly starting in 2014. Respondents expect to build around 1,400 units in 2013 — about the same as the 1,400 units expected at this time last year for 2012. However, they estimate another 7,900 new units in 2014 and beyond — this compares to only 1,900 expected at this time last year for 2013 and beyond. Also, while only 5 new resorts are planned for construction in 2013, another 63 are expected in 2014 and beyond. Resort and unit construction slowed significantly in the past several years as the industry worked through excess inventory created by the economic downturn. This expected increase in construction activity will be worth watching in the next several years to help gauge a potential increase in demand for timeshare product.

Methodology

Ernst & Young conducted a survey of 1,551 recognized timeshare resorts to provide an overview of the state of the timeshare industry in the U.S. Responses were received from 709 resorts, representing a 43% response rate.

MEMBER $25 | NON-MEMBER $50

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