State of the Vacation Timeshare Industry

2015

UNITED STATES STUDY

2015 EDITION
PREPARED BY EY
Building a better working world

AIF

AIF
Market Intelligence
Career Advancement

2015 SPONSORS

The ARDA International Foundation gratefully acknowledges the sponsors whose financial contributions made this study possible.

Platinum

Diamond Resorts International
Holiday Inn Club Vacations
Interval International
RCI
Starwood Vacation Ownership
Wyndham Vacation Ownership

Silver

American Express

Bronze

Capital One
Hilton Grand Vacations
Hyatt Vacation Ownership
Marriott Vacations Worldwide
Patton Hospitality Management
Resort Travel & Xchange

Contributors

Dematteo Monness LLC
Extreme Engineering
Resort Finance America
Welk Resorts

Friends of the Foundation

CustomerCount
Guidepoint Global
Iron Blosam
Linden Avenues
Tybrisa Beach Resort

Current at time of printing

The AIF wishes to recognize and thank the industry professionals who participated in the **AIF Open Golf Tournament**, the **Interval International Party with a Cause** and the **GIVE AIF**. This research would not be possible without the funds raised from these events.

AIF OPEN Golf Tournament

Course Sponsor
Holiday Inn Club Vacations

Birdie Sponsor
Starwood Vacation Ownership

Beverage Cart Sponsor
Oombaga

Course Logo Sponsor
ABM Landscape and Turf

Player Cart Sponsor
Gasdick Stanton Early, P.A.

Player Towel Sponsor
Harbor Linen

Hole-in-One Sponsor
ARDA WIN Advantage

Longest Drive Sponsor
Welk Resorts

Hole Sponsors
Disney Vacation Club
First American Title Insurance Company
Hilton Grand Vacations
Marriott Vacations Worldwide
Patton Hospitality Management
Resort Travel & Exchange
Wyndham Vacation Ownership

Interval International Party with a Cause

Platinum Sponsors
Bank of America
Hertz
Hyatt Vacation Ownership
Interval International
Marriott Vacations Worldwide
Starwood Vacation Ownership

Gold Sponsors
AIG/Travel Guard
Amadeus
Interval Leisure Group (ILG)

Silver Sponsors
Equiant
Fidelity National Timeshare
Meridian Financial Services
Preferred Residences
Trading Places International
Vacation Resorts International (VRI)

GIVE AIF

Gold Star
Joseph Berry RRP
Michael D. Brown
John M Burlingame RRP
Don Clayton RRP
Jonathan P. Fredricks RRP
David C. Gilbert
Gordon Gurnik RRP
Franz Hanning RRP
Don Harrill RRP
Steve Holmes RRP
Gail Mandel
Ken McKelvey CPA, RRP
Robert A. Miller RRP
Robert Spottswood
Mark Wang
Robert J. Webb Esq., RRP
Steve Weisz RRP

Bronze Star
Christine Boesch
David Brown
Paul M. Caldwell
Christy A. Crist
Harold J. Derrah
Ann Donahue RRP
Frank T. Goeckel RRP
Kurt Gruber Esq.
William Guthrie
Rob Kaplan-Sherman
Clark Rowley RRP
Allan Starr Esq.
Bryan Ten Broek ARP
Thorp S. Thomas RRP
Angela Ward RRP
Darla S. Zanini RRP

Silver Star
Jordan Beckner
Dale F. Goodman CHA, RRP
Rosemary O'Shea Esq., RRP
Larry S. Shulman

Copper Star
Arthur Baker
Bert Blicher RRP
Georgi Bohrod RRP
David Combs RRP
Melanie Gring
L. D. James III
Lanie Kane-Hanan RRP
Lisa Kobek
K. Robert Kreiger RRP
R. Scott MacGregor RRP
Dean Murray
Jeff Noonan RRP
Charles Patton RRP
Urcil Peters
Lisa Siegert-Free RRP
Robert Spottswood Jr.
John Sutherland
David Waller Esq.
Arthur Waloch
David Weisel
Carleton T. Woodring

Building a better
working world

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Market Intelligence

Career Advancement

Use of Information Provided by AIF:
The information provided by the ARDA International Foundation is intended to give the reader general information regarding the industry and it does not constitute legal or other professional advice. The information should not be relied upon in making any determinations about a specific matter or issue. If you require counsel on a specific matter or issue, please contact the appropriate professional.

State of the Vacation Timeshare Industry

UNITED STATES STUDY

2015 EDITION

PREPARED BY EY

Building a better working world

The State of the Vacation Timeshare Industry: United States Study 2015 edition provides an overview of important summary information on the U.S. timeshare industry for the year 2014.

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 to conduct this analysis. The study focuses on timeshare resorts that sell and maintain interval and points-based vacation lodging products. It excludes fractional resorts and Private Residence or Destination clubs. For a full discussion of the methodology used, please see Appendix C of the report.

The 2014 U.S. timeshare industry consisted of 1,555 timeshare resorts with approximately 198,490 timeshare units — an average of 128 units per resort. Resorts sell each of these units to consumers in parts called intervals: as of December 31, 2014 there were approximately 8.7 million timeshare intervals owned in the United States.

Figure ES.1 compares key timeshare industry metrics for 2014 to those from 2013, showing that the U.S. timeshare industry enjoyed solid growth in 2014. The number of timeshare resorts increased from 1,540 in 2013 to 1,555 in 2014, the biggest increase since the recession. Sales volume[1] increased by more than 4% from $7.6 billion in 2013 to $7.9 billion in 2014. This increase is attributable to the 7% increase in the number of intervals sold. There were approximately 397,120 intervals sold in 2014, while the average sales price fell slightly to $20,020. Rental revenue grew by approximately 4%, rising from $1.8 billion in 2013 to more than $1.9 billion in 2014.

FIGURE ES.1

KEY TIMESHARE INDUSTRY METRICS 2013 AND 2014

GROWTH	2013	2014	Percent change
Sales volume ($B)	$7.6	$7.9	4%
Average sales price	$20,460	$20,020	-2%
Number of intervals sold (000's)	370.6	397.1	7%
Rental revenue ($B)	$1.8	$1.9	4%
PERFORMANCE			
Occupancy	76.8%	78.3%	2%
Average maintenance fees	$845	$880	4%
Maintenance fee delinquencies	12.2%	7.7%	-36%
OUTLOOK			
Units built	667	1,312	97%
Units planned – in the coming year*	1,329	1,374	3%
Units planned – more than one year out*	814	2,121	161%
Resorts planned – in the coming year	5	3	-40%
Resorts planned – more than one year out	4	6	50%

Numbers may not add due to rounding

** Includes units planned at new and existing resorts*
Construction results for respondents only, not industry-wide estimates

1 *All sales discussed in the report are first generation or developer sales, unless otherwise noted.*

Operating performance metrics for the industry were also encouraging in 2014. Average occupancy rose to more than 78% — by comparison, hotel occupancy was 64%[2] in 2014, according to Smith Travel Research. The weighted average maintenance fee charged per interval was $880, up by approximately 4% from 2013's $845 per interval. Maintenance fee delinquencies fell significantly to approximately 8% in 2014.

There was a significant uptick in construction in 2014, with respondents reporting construction of 1,312 units, versus the 667 that were built in 2013. Furthermore, there is an uptick in planned construction for the near future. Including units at existing resorts and units at planned new resorts, respondents report plans to add 1,374 units in 2015 and 2,121 units in 2016 and beyond –3% and 161% higher than the plan at this time last year respectively. Finally, respondents report plans for 3 new resorts in 2015 and 6 in 2016 and beyond, in line with their plans for 9 total at this time last year.

2 *STR Monthly Hotel Review: December 2014,* Smith Travel Research.

2014 Industry Overview

CHAPTER ONE

This chapter presents a timeshare industry overview for 2014 — examining its size and structure. It presents information on the number and size of resorts, unit types/sizes and intervals and ownership structures.

The AIF's timeshare database lists 1,555[1] timeshare resorts in the United States[2]. Please see Appendix B for a full discussion of how the AIF tracks U.S. timeshare resorts.

Size

As seen in Figure 1.1, these 1,555 resorts represent approximately 198,490 physical timeshare units — 128 units per resort on average. Counting lock-offs[3] as separate units adds approximately 76,160 units, for a total of approximately 274,650. As of December 31, 2014, the total number of weekly equivalent intervals owned in these units was approximately 8.7 million.

FIGURE 1.1
INDUSTRY SIZE

	2014
Resorts	1,555
Units	198,490
Average Resort Size	128
Intervals owned	8.7 million
Total units - including lockoffs	274,650

In addition to the timeshare resorts and units figures noted in Figure 1.1, there is inventory used by timeshare owners that is not counted here. For example, the two major exchange companies (Interval International and RCI) also make non-timeshare accommodations available to their members. The alternatives include vacation homes, fractional units or hotel rooms. They also provide members the opportunity to trade their resort accommodations or home unit for options, such as, cruise, golf and spa vacations — as do some developers.

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

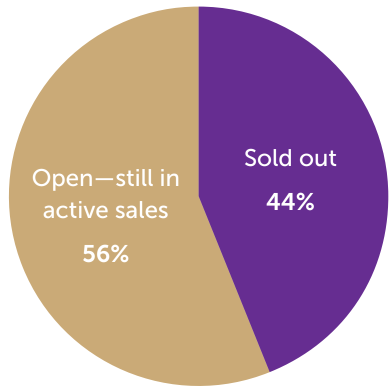
2 The United States is defined as the continental US plus Alaska and Hawaii in this study.

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

Resorts

Figure 1.2 shows a distribution of responding resorts by development stage, illustrating the two key industry components. The sold-out component consists mainly of resorts that either operate independently or are associated under a management company. In general, they are not engaged in significant sales activity, and rely mainly on revenues derived from maintenance fees and rentals for operations. The active sales component includes new resorts and resorts operating under the management of a company that continues to develop and sell timeshare inventory. Respondents answered this question at the resort level, but the proliferation of points-based products makes the notion of a sold-out[4] resort less concrete. Owners increasingly purchase time that can be used at a variety of developer properties — even at resorts that may have "sold out" of weekly intervals.

FIGURE 1.2
RESORTS BY DEVELOPMENT STAGE



Percent of 729 respondents — percentages may not add due to rounding

Figure 1.3 shows the distribution of timeshare resorts by the year that each opened. Approximately 20% of responding resorts opened in 2006 or later; another 27% opened in 1985 or before. The majority of responding resorts (53%) opened between 1986 and 2005.

FIGURE 1.3
YEAR RESORTS OPENED

	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
1985 or before	27%	11%	49%
1986-1995	16%	12%	21%
1996-2005	37%	48%	23%
2006+	20%	30%	8%

Percent of 407 respondents — percentages may not add due to rounding

Figure 1.3 also compares the results for active sales versus sold-out resorts. Nearly half of sold-out resorts opened in 1985 or before, compared to only 11% of resorts that are still in active sales. Only 8% of sold-out resorts opened in 2006 or later, compared to 30% of resorts that are in active sales.

4 The survey questionnaire defined "sold-out" resorts as those having sold less than 100 intervals in 2014.

Whether sold-out or in active sales, resorts vary in how they are controlled and managed. Control and management of the resort are two separate issues. For example, the HOA may control the resort while a separate company manages its day-to-day operations. Figure 1.4 shows the most common management and control structures in place. Most often a company affiliated with the resort developer manages a resort's day to day operations, while the vast majority of responding resorts reported that they are controlled by the HOA. The median percentage of sell-out at which the HOA gained control of the resort is 75%.

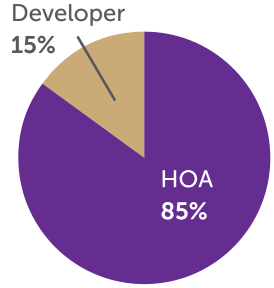
FIGURE 1.4

RESORT MANAGEMENT AND CONTROL STRUCTURES

Resorts managed by	Percent
Company affiliated with the resort developer	75%
3rd party management company	16%
Self-managed by HOA(s)	8%
Other	1%

Percent of 566 respondents — percentages may not add due to rounding

RESORTS CONTROLLED BY



As shown in Figure 1.5, resort management fees are generally set as a fixed amount when applicable. The median reported management fee was just under $600,000; the median percentage of budget/operating expenses that was allocated to management fees was 10%[5]. The median management fee was $102,000 for small resorts (less than 50 units), $388,600 for mid-sized resorts (50 to 100 units) and $978,800 for large resorts (more than 100 units). Figure 1.6 shows that, the entity which employs resorts staff is typically a management company.

FIGURE 1.5

DETERMINATION OF MANAGEMENT FEES

Method	Percent
Fixed amount	72%
As a percentage of the annual budget/operating expenses, etc.	4%
Not applicable	15%
Other	9%

Percent of 358 respondents — percentages may not add due to rounding

FIGURE 1.6

ENTITY WHICH EMPLOYS RESORT STAFF

Entity	Percent
Management company	79%
Resort HOA(s)	10%
Resort developer	4%
Other	6%

Percent of 593 respondents — percentages may not add due to rounding

5 Median management fee based on 198 responses; median percent of budget allocated to management fees based on 147 responses

Units

Next we move from a discussion of resort level data to results concerning individual units within resorts. Figure 1.7 shows the mix of units by the number of bedrooms. The two-bedroom unit is the most common configuration, with 61% of units, followed by one-bedroom units with 24%. Nine percent of units have three or more bedrooms; another 7% are studios.

Respondents also reported their average unit size, in square feet: Figure 1.8 summarizes the results. Average sizes ranged from approximately 420 square feet for a studio unit to nearly 1,600 square feet for units with three or more bedrooms. Larger, condo-style units are a major selling point for the timeshare industry. Some unit configurations allow larger parties to participate in the vacation, and provide a "home away from home" feel. Some also allow timeshare owners to "lock-off" a portion of units to rent or exchange while retaining a portion for personal use.

FIGURE 1.7
MIX OF UNITS BY NUMBER OF BEDROOMS

Unit type	Count	Percent
Studio	13,130	7%
1 bedroom	47,400	24%
2 bedrooms	120,160	61%
3 bedrooms or more	17,800	9%
Total	**198,490**	**100%**

Percent of 695 respondents — percentages may not add due to rounding

FIGURE 1.8
AVERAGE UNIT SIZES IN SQUARE FEET

Unit type	Square feet
Studio	420
1 bedroom	700
2 bedrooms	1,160
3 bedrooms or more	1,590
Weighted average	**1,030**

Weighted average based on 466 total resorts. There were 254 respondents for studio units, 443 for one BR, 536 for two BR and 277 for three+ BR.

In addition to varying sizes of the units, resorts also offer a number of amenities to make the vacation experience more attractive to owners. Figures 1.9 and 1.10 list the most common amenities offered at resorts and within timeshare units, respectively. At resorts, the most common amenities offered include swimming pools, whirlpools/hot tubs, exercise facilities and a concierge. Within units, the most commonly offered features are DVD players, WiFi and laundry. Only 4% of respondents reported offering a mobile app to resort owners — most often this was used to provide mobile payments.

FIGURE 1.9

RESORT AMENITIES OFFERED

Type	Complimentary	Fee	Complimentary and/or Fee
Swimming pool	93%	1%	93%
Whirlpool/hot tub	83%	1%	83%
Exercise room	63%	5%	64%
Concierge	54%	0%	54%
Front desk service	43%	0%	43%
Business room	41%	4%	42%
Playground	35%	0%	35%
Guest computer	33%	2%	34%
Game room	27%	20%	33%
Movie rental	19%	39%	30%
Tennis courts	26%	3%	26%
Sauna	18%	8%	20%
Basketball courts	15%	0%	15%
Covered parking	11%	12%	15%
Other sports courts	15%	0%	15%
Live entertainment	12%	4%	13%
Health spa	1%	36%	10%
Miniature golf	8%	3%	9%
Racquet courts	4%	0%	4%
Ice skating	1%	0%	1%
Other	4%	15%	8%

Percent of 470 respondents — multiple responses allowed

FIGURE 1.10

RESORT AMENITIES OFFERED — IN UNITS

Type	Complimentary	Fee	Complimentary and/or Fee
DVD player	93%	1%	93%
WiFi	82%	13%	85%
Laundry	67%	44%	76%
Flat screens	69%	0%	69%
Radio	53%	0%	53%
Wired internet	26%	3%	26%
Fireplace	24%	0%	24%
DVR	19%	1%	20%
In room movie	1%	51%	11%
Video game	7%	1%	7%
Other	0%	0%	0%

Percent of 467 respondents — multiple responses allowed

Intervals

Resorts sell timeshare units to consumers in parts, called intervals. Traditionally, these intervals were one week long, so that each unit represents about 52 weekly intervals. As the industry evolved, more sophisticated use plans became increasingly common. These include points-based intervals and biennials[6], for example. All of these can be translated into an equivalent number of traditional weeks for comparison purposes.

Figure 1.11 displays the number of intervals owned by different types of owners. Not surprisingly, most intervals are owned by timeshare consumers, referred to as resort owners in the industry. Approximately 9% are still owned by a resort developer and approximately 1% of intervals are owned by a homeowner's association.

Again, we compare the results for resorts in active sales to those for sold-out resorts. Intervals are much more likely to be owned by the developer at active sales resorts.

Figure 1.12 breaks out the 90% of intervals owned by individual resort owners. Consumers owning one week own approximately 63% of intervals. Those who own two to three weeks account for 27% of intervals owned and timeshare clubs own 4% of intervals. Consumers owning seven or more weeks account for approximately 1% of intervals.

FIGURE 1.11

INTERVALS OWNED BY TYPE OF OWNER

	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Intervals owned by owners	90%	87%	93%
Intervals owned by developers	9%	12%	5%
Intervals owned by HOA	1%	1%	2%
Total	**100%**	**100%**	**100%**

Percent of 560 respondents — percentages may not add due to rounding

FIGURE 1.12

RESORT OWNERS[7] OTHER THAN HOA OR DEVELOPER

	Percent
Individuals who own 1 week	63%
Individuals who own 2-3 weeks	27%
Individuals who own 4-6 weeks	4%
Individuals who own 7+ weeks	1%
Timeshare clubs[8]	4%
Other	1%

Percent of 248 respondents — percentages may not add due to rounding

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

7 These are unique owners from the perspective of the responding resorts/development companies, but they may own intervals across multiple resorts.

8 Includes clubs not affiliated with the resort developer or management company

Figure 1.13 shows the distribution of interval types by resort. Approximately 76% of respondents have intervals of the traditional weekly variety, while 62% have some form of points-based products and 46% of respondents have biennials. Active sales resorts are more likely to have points-based products than sold-out resorts — in fact points-based is the most common product type at active sales resorts. The percentage with biennials is also higher among active sales resorts — the majority of these resorts have biennials. Sold-out resorts are more likely to have weeks products and less likely to have points or biennials.

FIGURE 1.13

TYPES OF INTERVALS

Interval type	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Weeks	76%	70%	83%
Points	62%	75%	50%
Biennials	46%	57%	35%

Percent of 654 respondents — multiple responses allowed

Finally, respondents reported the interval ownership structures in place at their resorts. Resorts can be classified in one of two primary ways — those where resort owners own a real estate interest and those where they do not. Figure 1.14 lists the ownership structures typically available with a real estate interest, and Figure 1.15 shows the typical ownership structures for non-real estate interests. Deeded weeks are the dominant structure for owned real estate interests, followed by condominiums. The most common structure when a real estate interest is not owned is a right to use contract. When a contract is in place, all but one respondent indicated that the contract's length is lifetime.

FIGURE 1.14

OWNERSHIP STRUCTURES — OWNED REAL ESTATE INTEREST

	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Deeded weeks	75%	65%	84%
Condominium	43%	58%	30%
Direct or indirect interest in a timeshare trust[9]	28%	30%	26%
Undivided interest (UDI)	27%	41%	15%
Both deeded and right-to-use	8%	12%	5%
Interest in a cooperative corporation	1%	0%	2%
Other	<1%	0%	<1%

Percent of 498 respondents — multiple responses allowed

Comparing sold-out resorts to those in active sales shows that deeded weeks are more common in sold-out resorts when real estate interest is owned. Condominiums and undivided interest are more common in active sales resorts. When there is no owned real estate, nearly all active sales resorts sell right to use products. Sold-out resorts tend to have more dual (both deeded and right to use) structures and more memberships.

FIGURE 1.15

OWNERSHIP STRUCTURES — NO OWNED REAL ESTATE INTEREST

	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Right to use (contract)	83%	96%	49%
Both deeded and right-to-use	9%	3%	26%
Membership	5%	0%	19%
Leasehold	1%	1%	2%
Other	1%	0%	5%

Percent of 192 respondents — multiple responses allowed

9 Direct interests include beneficial interests, while indirect interests include equity interest in sole trust beneficiary.

Industry Health

CHAPTER TWO

Chapter 1 provides an overview of industry size. Understanding the health of the industry involves reviewing additional key indicators such as interval sales prices, occupancy rates and maintenance fees.

This chapter addresses these metrics, presenting a current picture of important measures of industry performance. Throughout the chapter, we compare the performance metrics of active sales resorts to sold-out resorts. In general, the performance metrics for these two industry segments are very similar.

Overall

Figure 2.1 summarizes the timeshare industry's key 2014 performance metrics. Resorts sold approximately 397,120 intervals at an average price of $20,020 per interval, yielding a total sales volume of approximately $7.9 billion. Resort occupancy was just over 78% and the average maintenance fee billed was $880. Rentals accounted for another $1.9 billion in industry revenue.

FIGURE 2.1

KEY PERFORMANCE METRICS 2014

Metric		2014
Sales volume		$7.9 billion
Number of timeshare intervals sold		397,120
Sales price per interval		$20,020
	Points equivalent	$21,360
	Weeks	$18,230
Rental revenue		$1.9 billion
Occupancy		78.3%
Average maintenance fee per interval		$880

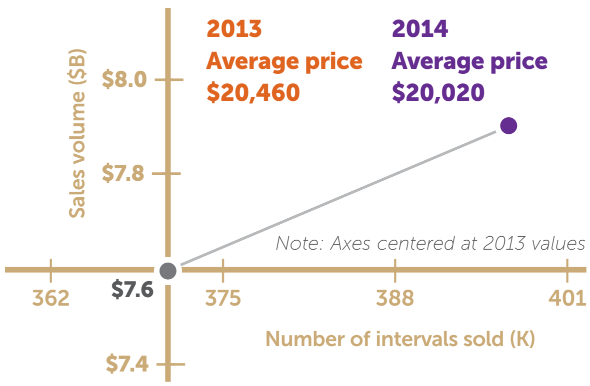
The $7.9 billion in sales volume does not include sales for resorts that primarily sell fractional and Private Residence Clubs (PRC) products. North American sales for fractional and PRC resorts was down slightly to $516 million for 2014 as reported in *The Shared-Ownership Resort Real Estate Industry in North America - 2015 Edition*, produced by Ragatz Associates.

One practice that has become a staple in the industry is "fee for service." In general, developers provide sales and marketing support, including branding, to timeshare resorts they have not developed. The fee-for-service provider leverages its existing sales infrastructure and brand to improve cash flow, without the capital risks of developing its own property. Sales related to fee for service arrangements in 2014 are estimated at $677.9 million[10] in the AIF's upcoming *Financial Performance 2015 study*, conducted by Deloitte and Touche. These sales are not differentiated in our sales estimates for the full timeshare industry.

10 Note that this estimate is preliminary and subject to change. The final 2015 Financial Performance Study is scheduled to be released in Summer 2015.

Figure 2.2 shows the changes in key metrics from 2013 to 2014. Total sales volume increased by more than $300 million from the previous year — a 4% increase. This year, the increase in total sales volume was mainly attributable to the 7% increase in the number of intervals sold, as the average sales price decreased by approximately 2%. Average occupancy increased by 1.5 percentage points in 2014, while maintenance fees increased by 4.5%.

FIGURE 2.2
CHANGES IN KEY METRICS — 2013 TO 2014



	2013	2014
Occupancy	76.8%	78.3%
Maintenance fee	$845	$880

Figure 2.3 shows the distribution of sales prices across resorts. The most common sales price category, at 31% of resorts, is "$25,000 – $29,999." However, there are a number of resorts with intervals priced anywhere from less than $5,000 to $30,000 or more.

FIGURE 2.3
DISTRIBUTION OF SALES PRICE

Sales price level	Percent of resorts responding
Less than $5,000	14%
$5,000 – $9,999	20%
$10,000 – $14,999	7%
$15,000 – $19,999	8%
$20,000 – $24,999	4%
$25,000 – $29,999	31%
$30,000+	15%

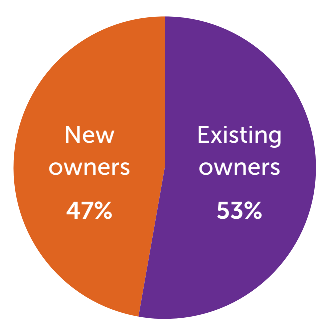
Percent of 218 respondents — percentages may not add due to rounding

Figure 2.4 shows a distribution of the percentage of sales to new owners — 30% of resorts have at least half of their sales from new owners[11]. The pie chart shows that, on average, 47% of timeshare sales are from new owners. Sales to existing owners can take place via upgrades or purchasing additional weeks or points. These sales point to high satisfaction with the product among existing owners.

FIGURE 2.4
SALES FROM NEW OWNERS

Percent of sales from new owners	Percent of resorts responding
<50%	69%
51-70%	24%
71-90%	5%
91% or more	1%

Percent of 210 respondents — percentages may not add due to rounding



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

Average annual resort occupancy was approximately 78%. By comparison, occupancy at U.S. hotels was 64% in 2014[12]. Figure 2.5 shows a more detailed view of occupancy. Resorts reported their average physical occupancy in each of these categories, meaning that actual guest check-in occurred. Resort owners, their guests, and exchange participants accounted for approximately 58% of available intervals. Renters accounted for another 16%, while marketing guests contributed another 5%. Approximately 52% of resorts were at least eighty percent occupied, and 21% had occupancy of at least ninety percent. Approximately 17% of resorts were less than sixty percent occupied. Occupancy for sold-out resorts is approximately three percentage points higher than that of active sales resorts.

FIGURE 2.5

OCCUPANCY BREAKOUTS

Type	Percent of time available	Occupancy level (%)	Percent of resorts responding
Owner/owner's guest	41%	Less than 60	17%
Exchange guest	17%	60–69	14%
Renter	16%	70–79	18%
Marketing guest	5%	80–89	31%
Vacant	21%	90 or more	21%

Percent of 600 respondents, weighted by units — percentages may not add due to rounding

	Active sales resorts	Sold-out resorts
Owner/owner's guest	39%	44%
Exchange guest	16%	19%
Renter	15%	14%
Marketing guest	6%	3%
Vacant	23%	20%

Percent of 285 active sales resorts, 315 sold-out resorts

12 *STR Monthly Hotel Review: December 2014*, Smith Travel Research.

FIGURE 2.6
MAINTENANCE FEE BREAKOUTS

Unit type	Maintenance fee
Studio	$540
1BR	$695
2BR	$900
3BR+	$1,200
Overall	**$880**

Unit type	Active sales resorts	Sold-out resorts
Studio	NA	$542
1BR	$694	$698
2BR	$914	$884
3BR+	$1,131	$1,309
Overall	**$895**	**$866**

Percent of 273 active sales resorts, 283 sold-out resorts

Average maintenance fee	Percent of resorts responding
Less than $500	9%
$500 to $599	14%
$600 to $699	19%
$700 to $799	12%
$800 to $899	8%
$900 to $999	8%
$1000+	29%

Percent of 556 respondents — percentages may not add due to rounding

The average annual maintenance fee[13] billed was $880 per interval. Figure 2.6 shows the average maintenance fees charged by unit type, and the distribution of maintenance fees by dollar amount. Studio units averaged $540 annually in maintenance fees, one-bedroom units averaged $695, two-bedroom units averaged $900 and 3BR+ units averaged $1,200 annually. Approximately 9% of resorts have maintenance fees averaging less than $500, while another 29% have maintenance fees of $1,000 or more. Maintenance fees for active sales resorts average about 3% more than those for sold-out resorts.

Figure 2.7 shows that approximately 92% of maintenance fee accounts were current in 2014, up more than four percentage points from 88% the previous year. More than half of resorts report that at least 90% of their accounts are current. Delinquencies for sold-out resorts are three percentage points higher than for active sales resorts.

FIGURE 2.7
MAINTENANCE FEE DELINQUENCIES

Account delinquency status	Percent of accounts
Current (<31 days delinquent)	91.8%
31-60 days delinquent	0.3%
61-90 days delinquent	0.2%
91-120 days delinquent	0.9%
More than 120 days delinquent	6.8%

	Active sales resorts	Sold-out resorts
Current (<31 days delinquent)	93%	90%
31-60 days delinquent	0%	1%
61-90 days delinquent	0%	0%
91-120 days delinquent	1%	1%
More than 120 days delinquent	6%	8%

Percent of 118 active sales resorts, 205 sold-out resorts

	Percent of respondents
All accounts current	4%
95% to 99% of accounts current	35%
90% to 94% of accounts current	15%
85% to 89% of accounts current	12%
80% to 84% of accounts current	14%
Less than 80% of accounts current	20%

Percent of 323 respondents — percentages may not add due to rounding

As noted in Figure 2.5, renters occupied 16% of timeshare intervals in 2014. Seventy-six percent of resorts reported offering some form of rental program. Figure 2.8 shows the types of rental programs offered. Nearly all (96%) resorts with a rental program offer weekly rentals and most offer daily rentals (77%). These rental programs generally have rates that vary by season (97%). Approximately 45% offer rental programs for their marketing guests. Some "other" types of rental programs reported include half-price rentals for timeshare owners, friends and family programs, weekend programs, and two to three night minimum programs.

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

Figure 2.8 also compares the offerings between resorts that are in active sales to those that are not. Monthly rentals are more prevalent among resorts that are no longer in active sales, while programs for marketing guests are more prevalent among resorts that are still in active sales.

FIGURE 2.8
TYPES OF RENTAL PROGRAM OFFERED

Rental type	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Daily rentals	77%	79%	76%
Weekly rentals	96%	99%	94%
Monthly rentals	27%	22%	31%
Rental rates that vary based on season	97%	99%	94%
Rental programs for marketing guests	45%	52%	38%

Percent of 459 respondents — multiple responses allowed

Figure 2.9 details rental program revenue. Approximately 11.2 million nights were rented in 2014 at an average price of $172 per night. This yielded more than $1.9 billion in timeshare rental revenue for 2014.

Figure 2.10 lists methods used by resorts for publicizing the availability of rentals at the property. The most commonly reported are the resort's website, Online Travel Agencies (OTAs) and social media. Active sales resorts are more likely to use social media to publicize rentals.

FIGURE 2.9
RENTAL REVENUE

Metric	2014
Total rental revenue	$1.9 billion
Total nights rented	11.2 million
Average rental price per night	$172

FIGURE 2.10
PUBLICIZING RENTALS

Method	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Resort website	81%	78%	83%
OTAs (Priceline, Hotels.com, Expedia etc.)	60%	63%	57%
Social media (Facebook, Twitter, etc.)	48%	58%	38%
External rental websites (e.g., Redweek.com or SellMyTimeshareNOW.com)	20%	24%	16%
Radio	13%	16%	10%
Newspaper	12%	13%	10%
Physical bulletin boards at resort	9%	12%	7%
Television	9%	10%	8%
Timeshare broker and/or broker website	3%	1%	4%
Blog	2%	4%	0%
Other	1%	0%	2%

Based on 519 respondents — multiple responses allowed

Eighty-two percent of responding resorts report maintaining a program to help rent weeks that are owned by owners. Almost all of these respondents report a commission based arrangement for these programs, and the median commission charged is 35 percent. As shown in Figure 2.11, this program is most often managed by a management company.

Similarly, 84% of responding resorts report maintaining a resale program to sell weeks that are owned by owners. Figure 2.11 also shows who manages the resale program — resales are more likely managed by the developer. Again, nearly all report a commission arrangement, with the median percentage being 30 percent.

Rental revenue is one type of operating revenue collected by timeshare resorts. Figure 2.12 shows the percentage of operating revenues collected by resorts across a number of categories. The predominant source of operating revenues for resorts is maintenance fees, followed by rentals.

FIGURE 2.11
RENTAL/RESALE PROGRAM MANAGEMENT AND COMMISSIONS

Entity	Rental	Resales
Management company	35%	9%
Developer	27%	38%
Other	38%	52%
Median commission rate charged	35%	30%

Based on 387 respondents for rentals, 141 respondents for resales — numbers may not add due to rounding

FIGURE 2.12
OPERATING REVENUE

Category	Percent of resorts responding	Percent of resorts in active sales	Percent of sold-out resorts
Maintenance fees	76%	76%	76%
Rentals	18%	18%	17%
Housekeeping	2%	2%	1%
Developer subsidy	1%	1%	0%
Special assessments and other revenue sources	1%	0%	2%
Food & beverage	1%	1%	1%
Other	2%	2%	2%

Percent based on 594 respondents — percentages may not add due to rounding

As the vacation needs and preferences of timeshare owners change, some may elect to sell or return intervals to the resort. Figure 2.13 shows the different types of programs available to owners to return intervals they have purchased. About 50% of resorts offer the opportunity to return the interval in exchange for the release of maintenance fee obligations only — in these cases there are no other financial considerations given. There are two common types of programs offered to buy back intervals. In some cases, the developer or HOA maintains a right of first refusal to buy back intervals from an owner — the owner must first allow the resort an opportunity to buy the interval before placing it on the secondary market. In other cases, the resort will buy back intervals, but doesn't maintain the right of first refusal. Four percent of resorts allow owners to reduce points/time owned, as opposed to an outright sale.

FIGURE 2.13
METHODS FOR RETURNING INTERVALS TO RESORTS

Method	Percent
Right of first refusal when owners attempt to sell their timeshare interval	58%
A buy-back program of timeshare intervals at a mutually agreeable price	58%
Ability to return timeshare inventory in exchange for release of maintenance fee requirements	50%
Ability to convert to a reduced allotment of timeshare points and or/time	4%

Percent of 408 respondents — multiple responses allowed

Figure 2.14 shows the frequency with which intervals are re-claimed by resorts. The two most common reasons were foreclosures (56% of re-claimed intervals) and voluntary surrender (17%). About 16% of intervals reclaimed were under buy-back or time/point reduction programs. Some resorts also purchase intervals on the secondary market; about 11% of intervals that resorts receive back come from this source.

What do resorts do with the intervals that they get back from owners? In general, they sell them to other owners as part of their developer sales — all of the respondents to our survey indicated that they handle re-claimed inventory in this way.

Figure 2.15 lists methods employed by respondents for conducting resales. The most common avenues are the resort's own website and onsite licensed real estate brokers.

FIGURE 2.14
RE-CLAIMED INTERVALS

Reason	% of intervals
Due to foreclosure	56%
Voluntary surrender	17%
Under buy-back or time/point reduction programs	16%
Purchased on the secondary market	11%

Note: Percentage of 416 respondents, weighted by number of units

FIGURE 2.15
RESALE CHANNELS

Method	% of resorts
The resort's own website	33%
An onsite licensed real estate broker who is affiliated with your resort (HOA)	26%
A classified ad in a printed timeshare periodical, such as a catalogue or magazine	22%
Social media (e.g., Facebook, Twitter)	11%
A licensed real estate broker that specializes in timeshare but is independent from your resort	6%
A classified ad in a traditional printed periodical, such as a newspaper or magazine	5%
An offsite licensed real estate broker who specializes in timeshare and is affiliated with your resort (HOA)	2%
A general advertising or auction website that does not specialize in timeshare, such as Craigslist or eBay	2%
A full service online licensed real estate brokerage that specializes in timeshare	1%
A website that specializes in advertising timeshares for sale or rent (not a licensed broker)	1%
Other	<1%

Percent of 290 resorts responding — multiple responses allowed

FIGURE 2.16
INVENTORY MANAGEMENT

Method	% of resorts
Leasing or buying rooms in branded or unbranded hotel as a way to extend destinations	88%
Developing partnerships or rental relationships with 'Uber', airbnb or other web driven 'sharing' entity	12%

Based on 136 respondents — multiple responses allowed

Finally respondents reported programs in place to manage resort inventory. Figure 2.16 shows that most lease or buy hotel rooms to extend destinations. Some also report developing partnerships with web driven sharing entities such as Uber or airbnb.

Industry Segments

CHAPTER THREE

This chapter uses some of the performance metrics reported in the previous chapter to compare specific industry segments. To do so, we divide reports using the following characteristics:

- Average resort size — as measured by the number of units
- Sales volume
- Resort type
- Geographic region

For each segment within these classifications, we compare the following metrics:

- Percent of resorts
- Resort size, as measured by the average number of units
- Occupancy
- Average maintenance fee billed

Overall averages and totals are also provided for comparison purposes. For some segments, not all of the respondents provided information that would allow them to be classified. For example, not all respondents reported a resort type. Accordingly, in some cases the overall totals and averages may be inconsistent with the totals and averages for the subgroups.

Resort Size

The first segmented analysis is resort size, using three categories: small resorts (less than 50 units), mid-size resorts (51–100 units) and large resorts (more than 100 units). While the average resort size is 128 units, 38% of resorts have less than 50 units, and 37% have 100 units or more. Figure 3.1 shows that maintenance fees and occupancy were highest in 2014 among the resorts with more than 100 units.

FIGURE 3.1

PERFORMANCE BY RESORT SIZE

Number of units	% of resorts	Average size (# units)	Average occupancy	Average maintenance fees per interval
0–50	38%	27	75.4%	$795
51–100	25%	72	77.1%	$805
More than 100	37%	270	78.7%	$910
Overall	**100%**	**128**	**78.3%**	**$880**

Percent of 695 respondents — numbers may not add due to rounding.

Sales Volume

Figure 3.2 compares the performance of groups based on sales volume. Ninety-four percent of resorts had less than $25 million in total sales for 2014. The average number of units and average billed maintenance fees tend to increase with level of sales activity. Occupancy in 2014 tended to be lower at resorts where sales volume totals $50 million or more, which is not surprising considering those resorts are still in sales and have more unowned inventory.

FIGURE 3.2

PERFORMANCE BY SALES VOLUME

Sales volume in millions (M)	% of resorts	Average size (# units)	Average occupancy	Average maintenance fees per interval
None	58%	93	79.3%	$805
Less than $25M	36%	131	76.4%	$860
$25M to $49.9M	3%	283	82.4%	$950
$50M+	2%	592	76.1%	$965
Overall	**100%**	**128**	**78.3%**	**$880**

Percent of 765 respondents — numbers may not add due to rounding

Resort Type

Respondents reported the vacation experience(s) offered at their resort and/or nearby. They also shared which characteristic best describes their resort. Figure 3.3 shows the results.

FIGURE 3.3
DISTRIBUTION BY RESORT TYPE

	What vacation experience does this resort offer?			
Type	Onsite	Nearby	Nearby and/or onsite	Which one characteristic best describes this resort?
Beach	50%	31%	53%	30%
Country/lakes	20%	29%	35%	15%
Ski	5%	28%	28%	9%
Theme park	4%	25%	25%	8%
Golf	20%	67%	71%	7%
Rural/coastal	28%	15%	30%	6%
Island	11%	16%	21%	5%
Urban	13%	13%	20%	4%
Desert	5%	13%	14%	3%
Gaming	6%	25%	27%	2%
Other	—	—	—	13%

Percent of 663 respondents — percentages may not add due to rounding
For onsite and nearby, multiple responses allowed

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

Figure 3.4 compares the performance for the most common resort types[14]. Theme park resorts tend to be the largest and have the highest occupancy; ski resorts tend to be the smallest and have the lowest occupancy, perhaps owing to seasonality. Theme park resorts had the highest average maintenance fees, and country/lakes resorts had the lowest.

FIGURE 3.4
PERFORMANCE BY RESORT TYPE

Type	% of resorts	Average size (# units)	Average occupancy	Average maintenance fees per interval
Beach	30%	104	81.7%	$860
Country/lakes	15%	108	75.2%	$640
Ski	9%	90	66.4%	$940
Theme park	8%	276	84.7%	$1,005
Golf	7%	189	79.8%	$835
Island	5%	91	74.9%	$990
Urban	4%	100	84.4%	$880
Other	23%	131	81.0%	$880
Overall	**100%**	**128**	**78.3%**	**$880**

Note: "Other" Includes Rural/coastal, Gaming, Desert, and Other from above — numbers may not add due to rounding

14 There was insufficient data to report on the other resort types.

Geographic Region

The final segment is geographical region of the country. Florida, California, South Carolina, Hawaii, and Nevada are the five states with the highest number of timeshare resorts. The remaining states are grouped in regions, based on the U.S. Census Bureau's list of geographic regions. Figure 3.5 shows a list of states represented by each region, and Figure 3.6 compares the performance by region.

FIGURE 3.5

GEOGRAPHIC REGIONS

Region	States
Florida	FL
California	CA
South Carolina	SC
Hawaii	HI
Nevada	NV
Mountain/Pacific	CO, UT, 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

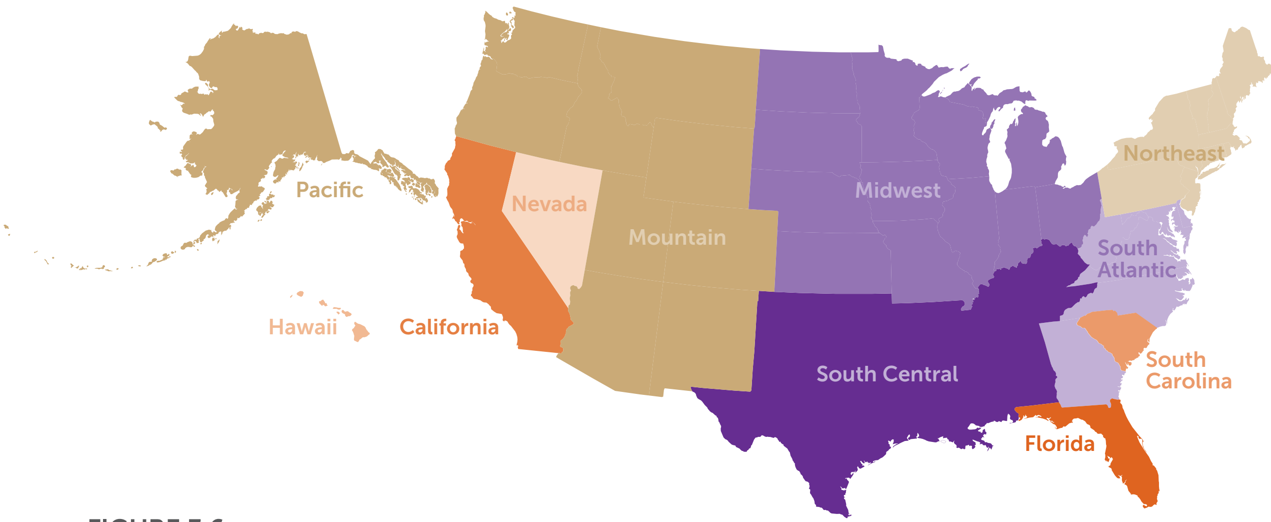


FIGURE 3.6

PERFORMANCE BY GEOGRAPHIC REGION

Region	% of resorts	Average size (# units)	Average occupancy	Average maintenance fees per interval
Florida	23%	178	80.3%	$840
California	9%	138	80.9%	$830
South Carolina	7%	119	79.2%	$750
Hawaii	6%	142	85.3%	$1,125
Nevada	4%	182	79.5%	$805
Mountain	13%	86	74.7%	$905
Northeast	11%	89	63.9%	$650
South Central	9%	118	73.3%	$670
South Atlantic	8%	107	67.3%	$720
Midwest	7%	108	72.7%	$645
Pacific	3%	72	79.5%	$705
Overall	**100%**	**128**	**78.3%**	**$880**

Percent of 1,555 resorts — numbers may not add due to rounding

Florida had the most resorts, while Nevada had the largest on average. Occupancy and maintenance fees were highest in Hawaii. The Northeast had the lowest occupancy, while the Midwest had the lowest average maintenance fees, and the Pacific had the smallest resorts.

Sold-out Resorts

Previous chapters have noted key differences between actives sales and sold-out resorts. Some respondents have also answered a set of questions that specifically address some of the concerns of sold-out resorts. This chapter outlines the answers to those questions.

Even resorts which sold all intervals years ago may receive some intervals back from owners and sell them to new owners, as described in chapter two. This means that relatively old resorts may still have some level of sales activity, even though they are not marketing intervals. For this reason, a resort is considered to be "in sales" if it sold more than 100 intervals in 2014 in this study. Among resorts that indicated that they were not in-sales, 395 resorts provided data on the management of sold-out resorts. This information focused on two main topics — special assessments and reserve funds.

As seen in Figure 4.1, about 96% of sold-out resorts did not have a special assessment in 2014 — no respondents reported multiple special assessments. The 4% reporting special assessments is down from 15% two years ago (when this question was last asked). Only 3% of sold-out resorts are planning a special assessment for 2015, and only 4% reported receiving financial support from a developer.

FIGURE 4.1

FREQUENCY OF SPECIAL ASSESSMENTS IN 2014

	Percent of resorts responding
None	96%
One	4%
Two or more times	0%

Percent of 324 resorts — percentages may not add due to rounding

Among the resorts that had a special assessment in 2014, figure 4.2 shows the chief causes. The most common cause was a planned refurbishment. Thirty-one percent of resorts reported a planned resort product or amenities expansion — none reported that as the cause for a special assessment two years ago. Only a handful noted that the assessment was related to unanticipated concerns such as a natural disaster or some failure of capital assets, and no resorts reported assessments due to higher than expected delinquency rates.

FIGURE 4.2

REASONS FOR SPECIAL ASSESSMENT

	Percent of resorts responding
Planned refurbishment (NOT related to natural disaster)	48%
Planned expansion of resort product or amenities	31%
Unanticipated refurbishment (NOT related to natural disaster)	10%
Unanticipated or premature failure of capital assets (NOT related to natural disaster)	7%
Natural disaster (such as a hurricane, a flood, etc...)	3%
Unanticipated expansion of resort product or amenities	0%
Higher delinquency rate than expected	0%
Other	0%

Percent of 29 resorts — multiple responses allowed

FIGURE 4.3

YEAR OF MOST RECENT RESERVE STUDY

	Percent of resorts responding
2014	55%
2013	17%
2012	13%
2011 or before	14%

Percent of 255 resorts — percentages may not add due to rounding

A reserve fund study is a comprehensive plan that predicts when various capital items are expected to wear out and estimates the funds needed to be set aside for replacement. Figure 4.3 notes that 55% of resorts conducted a reserve study in 2014 — 85% of resorts had conducted one in the past three years. Seventy-eight percent of resorts reported using an independent third-party to conduct their reserve study.

FIGURE 4.4

FREQUENCY OF RESERVE STUDIES

	Percent of resorts responding
Have not conducted a reserve study	2%
Every year	40%
Every 2 years	2%
Every 3 years	25%
Every 4 years	7%
Every 5 years	5%
Other	19%

Percent of 256 resorts — percentages may not add due to rounding

Figure 4.4 shows the frequency with which resorts conduct reserve studies. The most frequent response (40% of respondents) was every year — up from 25% two years ago. A total of 67% report conducting a reserve study at least every three years. The most common "other" response given was every 3 to 5 years.

FIGURE 4.5

SUFFICIENCY OF RESERVE FUNDING FROM MAINTENANCE FEES

	Percent of resorts responding
At or above the level recommended in the study	74%
10% or less below	14%
More than 10% below	12%

Percent of 246 resorts — percentages may not add due to rounding

On average, resorts reported contributing 11% of billed maintenance fees to reserve funding. Figure 4.5 shows that almost three-quarters of respondents reported reserve contributions that meet or exceed the levels recommended in the most recent reserve study. Another 14% indicate that they are at least within ten percent of the recommended amount. About 12% of resorts say they are more than ten percent below the recommended amount.

FIGURE 4.6

CAUSES FOR INSUFFICIENT CONTRIBUTIONS TO RESERVES

	Percent of resorts responding
The percentage of maintenance fees dedicated to reserves was not sufficient	35%
Resorts experienced a higher level of maintenance fee delinquencies than expected	26%
Reserve fund expenditures were higher than expected	24%
Other	15%

Percent of 97 resorts — percentages may not add due to rounding

Figure 4.6 shows that when contributions are below recommended amounts, the most common cause is an insufficient percentage of maintenance fees being dedicated to reserves. The percent reporting that the cause was a higher level of maintenance fees delinquencies was 26% — down from 64% two years ago. All but two of these respondents reported that they did not take any action, such as a special assessment, to make up for the shortfall in reserves.

Estimated total reserve funding is defined as the amount that would be necessary to completely replace all items contained in the reserve study to the extent an amount or portion thereof should have been set aside for the item as of a certain date. For example — if the reserve study stated the roof would cost $50,000 to replace and it was at half its estimated useful life, your reserve should contain 50% of the costs of roof replacement, or $25,000 on average. The average reserve balance held by resorts was 43% of estimated total reserve funding, up from 37% on average two years ago. Figure 4.7 shows a distribution of the total reserve funding kept on hand by resorts. The percent reporting 80%+ was 23% — up from 8% two years ago.

FIGURE 4.7

PERCENT OF TOTAL RESERVE FUNDING ON HAND

	Percent of resorts responding
Less than 20%	26%
20 to 29%	19%
30 to 39%	14%
40 to 49%	7%
50 to 59%	5%
60 to 79%	5%
80%+	23%

Percent of 255 resorts — percentages may not add due to rounding

A Brief History of the U.S. Timeshare Industry

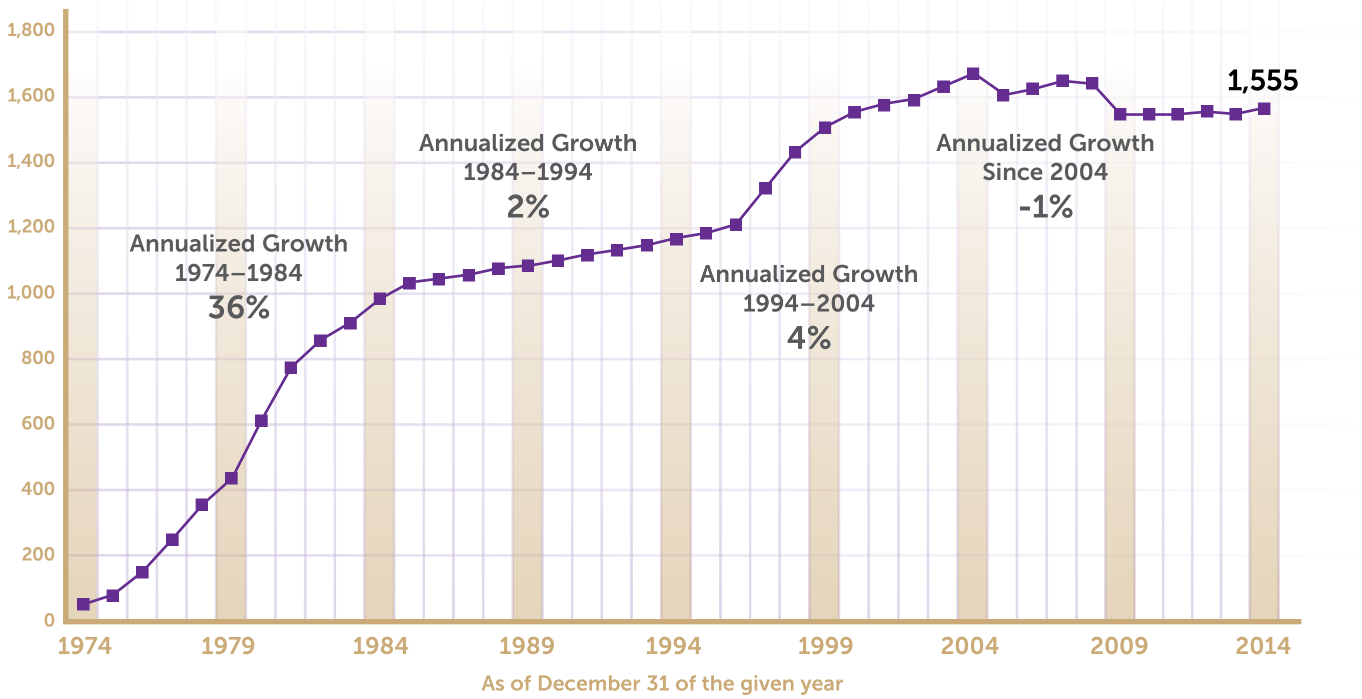
CHAPTER FIVE

To help put the 2014 performance results in perspective, this chapter traces the growth of several key metrics over times since the industry's inception in 1974. This also will help understand the outlook for the industry as presented in the next chapter.

Figure 5.1 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 between, growth averaged 25 to 30 resorts per year. In recent years, growth in the number of resorts has moderated and the number of resorts has decreased slightly since 2005.

FIGURE 5.1

TIMESHARE RESORTS SINCE 1974



Source: Ragatz Associates, American Economics Group and the AIF

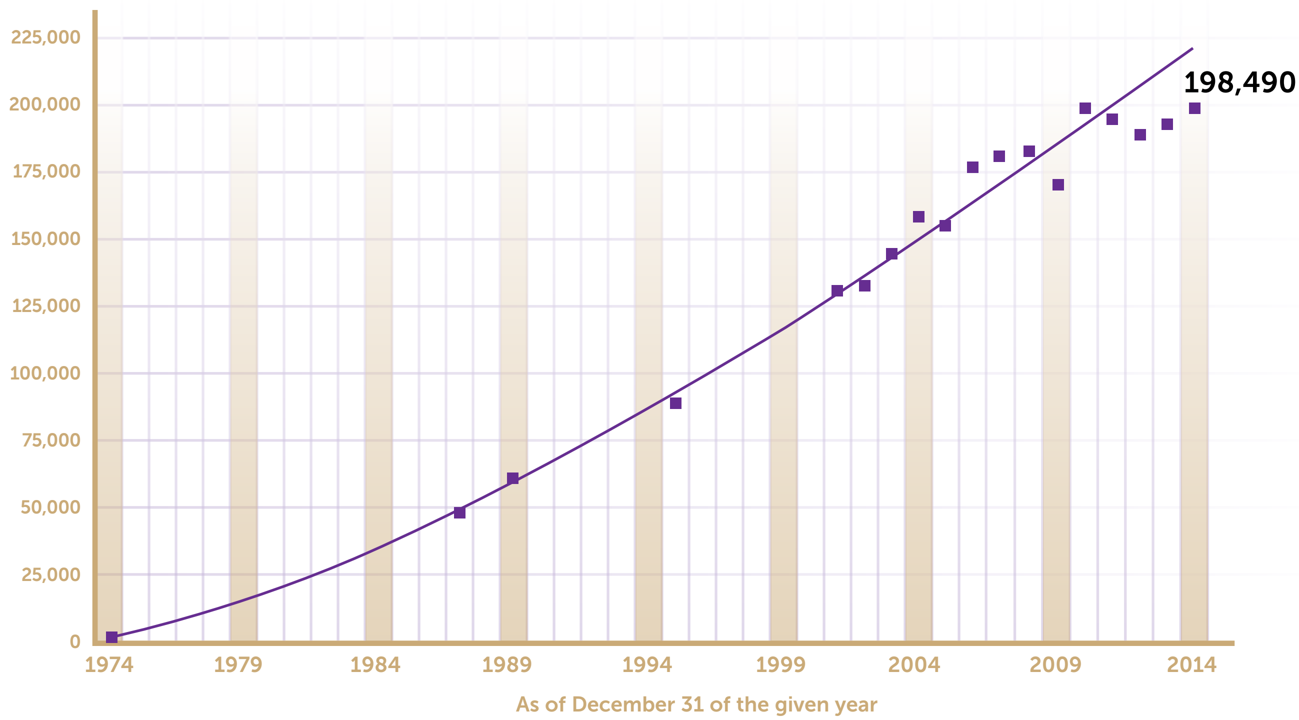
A change in the definition of the study population accounts for the drop in the number of resorts from 2004 to 2005. This change focused the analysis on traditional timeshares, including weekly intervals and points while removing such non-comparable entities as fractionals, non-equity clubs, PRC, and 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 agreements to be used as timeshare. Improved rigor and scrutiny of resort count by the AIF led to a drop in the total timeshare resort count for the year 2009.

The response rate for this report has increased from 28% in 2005 to 49% this year. While a higher response rate helps improve the accuracy of estimates, it can make comparisons to the results of previous years problematic. For example, if new respondents report relatively low unit counts for their resort or resorts, this will drive the reported average resort size lower — even though the industry may not have lost any units.

Figure 5.2 shows the historical trend of unit growth through the available data points. Unlike timeshare resorts, the number of timeshare units has not been tracked each year.

FIGURE 5.2

TIMESHARE UNITS SINCE 1974



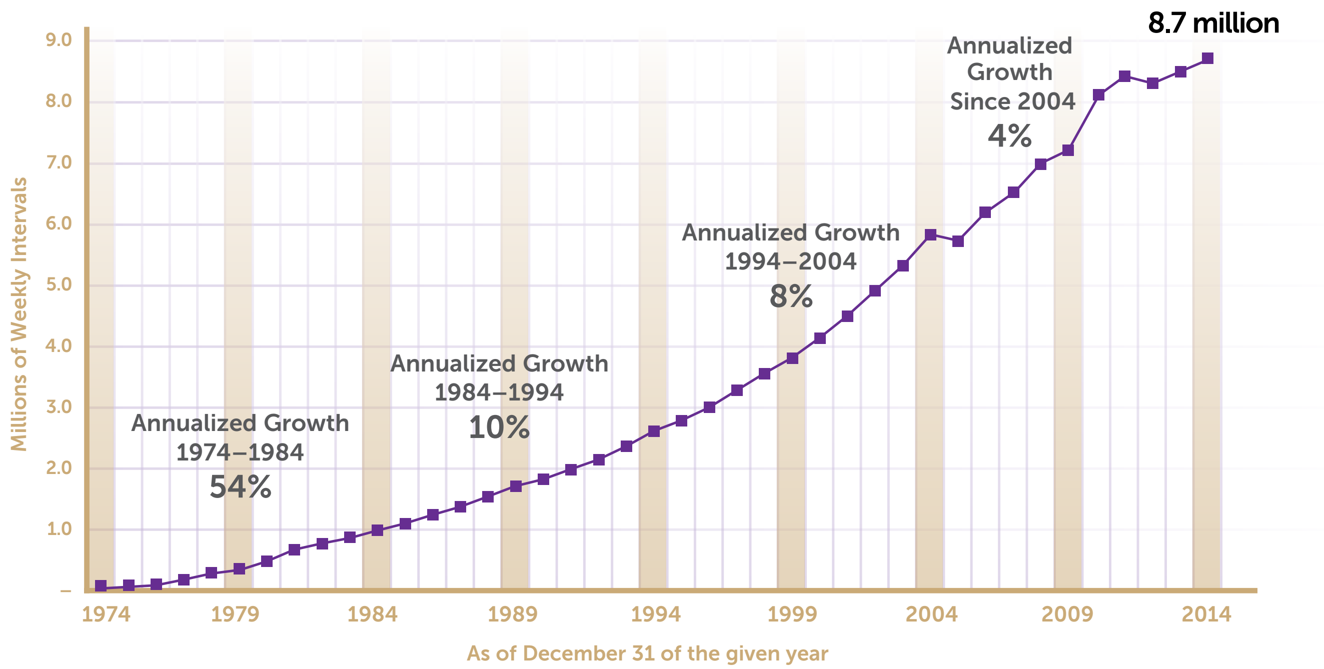
Source: Ragatz Associates, American Economics Group and the AIF

Developers have built larger, purpose-built resorts as the industry has matured and larger, branded timeshare companies have entered the market. In 1974, the average resort had approximately 27 units. By 1989 that number had more than doubled to 56; in 2014 that number has again more than doubled to 128 units per resort.

Figure 5.3 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. From 1984 to 2004 interval growth averaged between 8% and 10% annually. Since 2004 that rate of increase has slowed to approximately 4% annually.

FIGURE 5.3

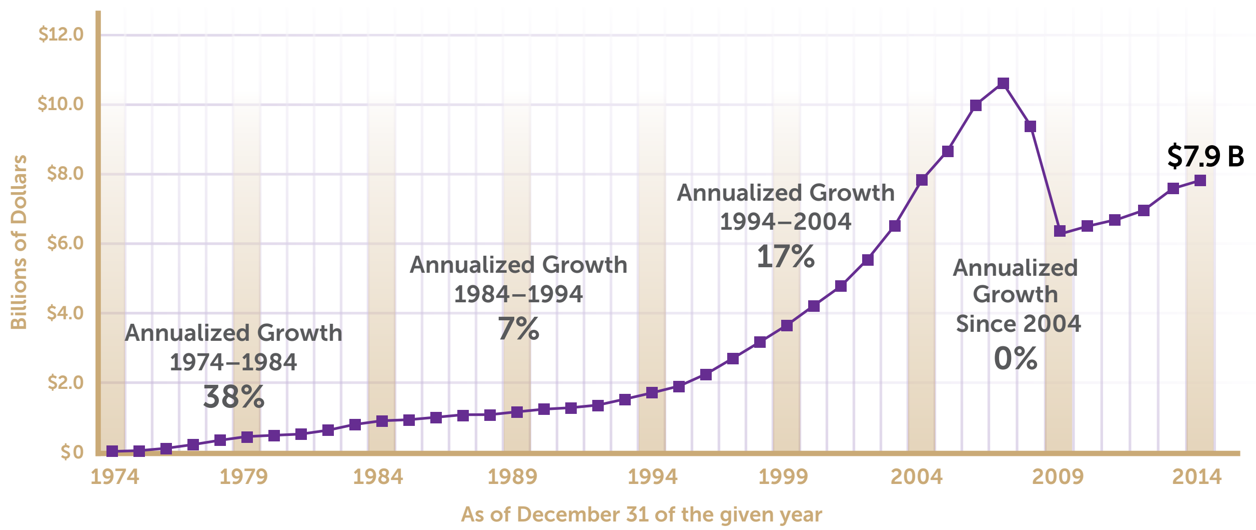
INTERVALS OWNED SINCE 1974



Source: Ragatz Associates, American Economics Group and the AIF

Figure 5.4 shows the historical sales[15] trend from 1974 through 2014. 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, with sales volume peaking in 2007 at $10.6 billion. Sales fell significantly in the next two years due to the recession; however, 2014 marks the fifth straight year of increases in sales volume.

FIGURE 5.4
TIMESHARE SALES SINCE 1974



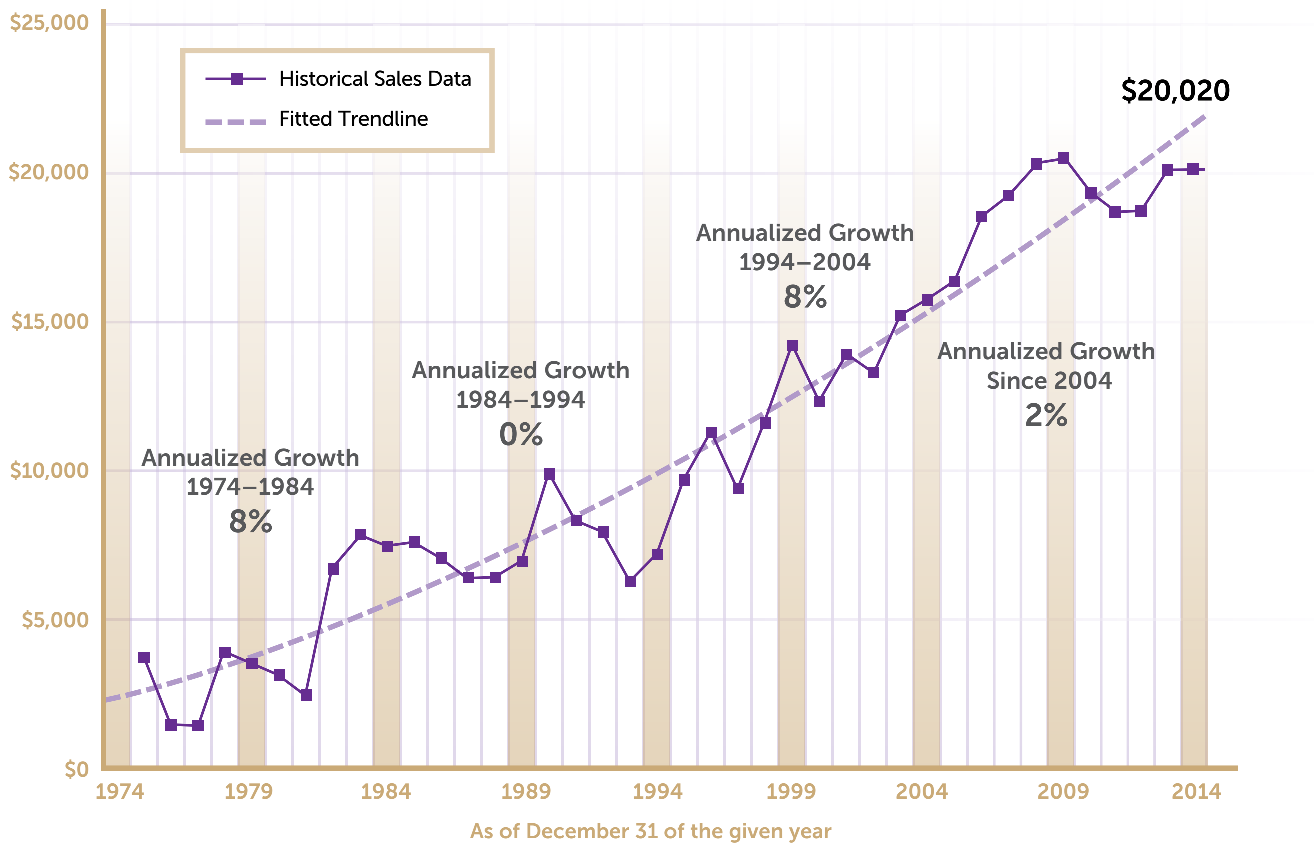
Source: Ragatz Associates, American Economics Group and AIF

15 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. This sales volume represents first generation or developer sales and does not include interests that were once owned and later resold on the secondary market.

Figure 5.5 tracks the trend in intervals sales prices from 1974 to 2014. The average sales price equals total industry sales volume, less sales upgrades[16] 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.

FIGURE 5.5

TIMESHARE AVERAGE SALES PRICES SINCE 1974



Source: Ragatz Associates, American Economics Group and the AIF

As noted previously, the industry has added various methods for timeshare purchases. Instead of selling one week per year, many now also 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.

16 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.

Industry Outlook

Finally, in this chapter we examine the near term industry outlook by examining recent performance trends and expected construction.

FIGURE 6.1
RECENT PERFORMANCE TRENDS

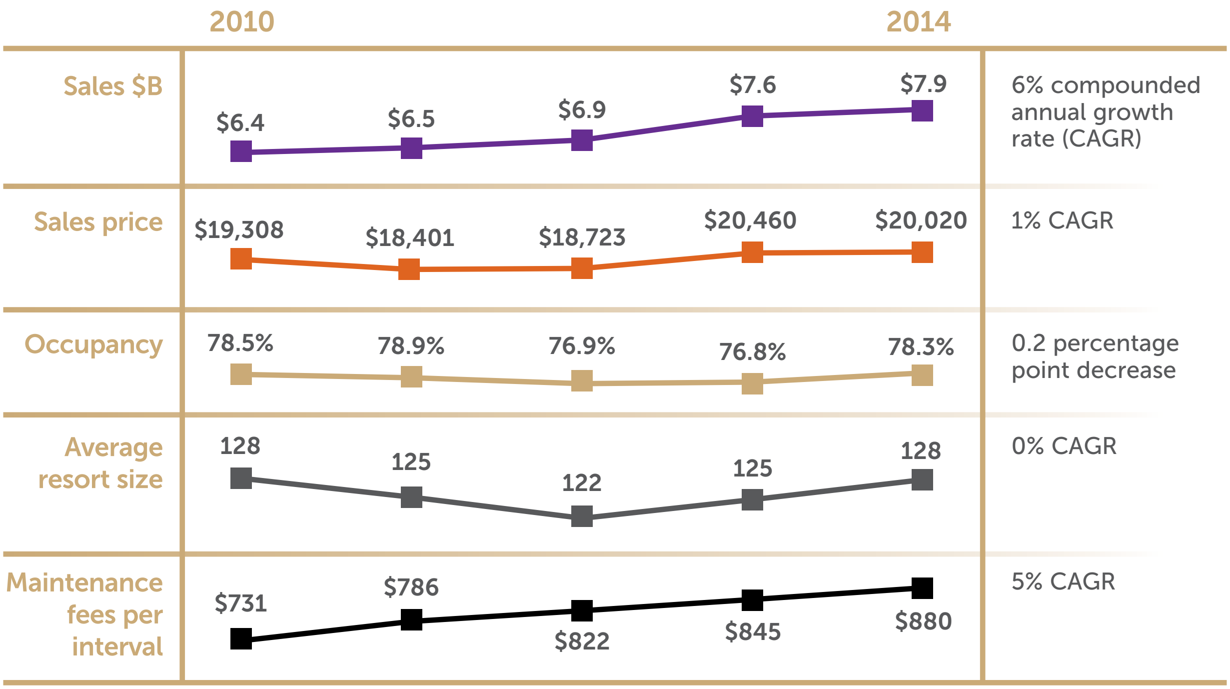


Figure 6.1 displays trends for the industry's five key performance measures over the past five years. Sales volume has increased by almost 25% since 2010 — an average of 6% annually. The average sales price stands slightly higher than where it was in 2010. While occupancy decreased over the past two years, that trend reversed in 2014 and occupancy rates are about where they were five years ago. The average resort size is about where it stood in 2010. Maintenance fees have increased by an average of 5% annually since 2010.

Figure 6.2 shows the change over the past year 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.

In 2013, these respondents represented 664 resorts and 84,288 units, for an average resort size of approximately 127 units. In 2014, the number of resorts increased to 684 and the number of units increased to 86,043, for an average resort size of 126 units. The increase in the number of resorts does not just indicate resort construction on the part of these respondents — it also reflects acquisition and consolidation in the industry.

Total sales volume increased by about 6% from these 2014 respondents — higher than the 4% growth in estimated sales industry-wide. Respondents included in Figure 6.2 are primarily larger development and management companies. This suggests that the slightly lower industry-wide growth rate is attributable to smaller and midsize companies.

FIGURE 6.2
CHANGES FOR RESPONDENTS PROVIDING DATA IN 2013 AND 2014

	2013	2014	Change	Percent change
Number of resorts	664	684	20	3.0%
Number of units	84,288	86,043	1,755	2.1%
Average units	127	126	-1	-0.9%
Total sales ($M)	$5,378	$5,704	$326	6.1%
Sales price	$23,415	$24,424	$1,009	4.3%
Occupancy	77.7%	77.8%	0.1%	0.1%
Maintenance fees	$875	$885	$10	1.0%

Note: Numbers may not add due to rounding

Figure 6.3 summarizes construction of new timeshare units and resorts. It shows that respondents reported building 1,312 unit in 2014, versus the 667 that were built in 2013. Furthermore, there is an uptick in planned construction for the near future. Including units at existing resorts and units at planned new resorts, respondents report plans to add 1,374 units in 2015 and 2,121 units in 2016 and beyond –3% and 161% higher than the plan at this time last year respectively. Finally, respondents report plans for three new resorts in 2015 and six in 2016 and beyond, in line with their plans for nine total at this time last year.

FIGURE 6.3
RESORT AND UNIT CONSTRUCTION

	2013	2014
Units built	667	1,312
Units planned – in the coming year*	1,329	1,374
Units planned – more than one year out*	814	2,121
Resorts planned – in the coming year	5	3
Resorts planned – more than one year out	4	6

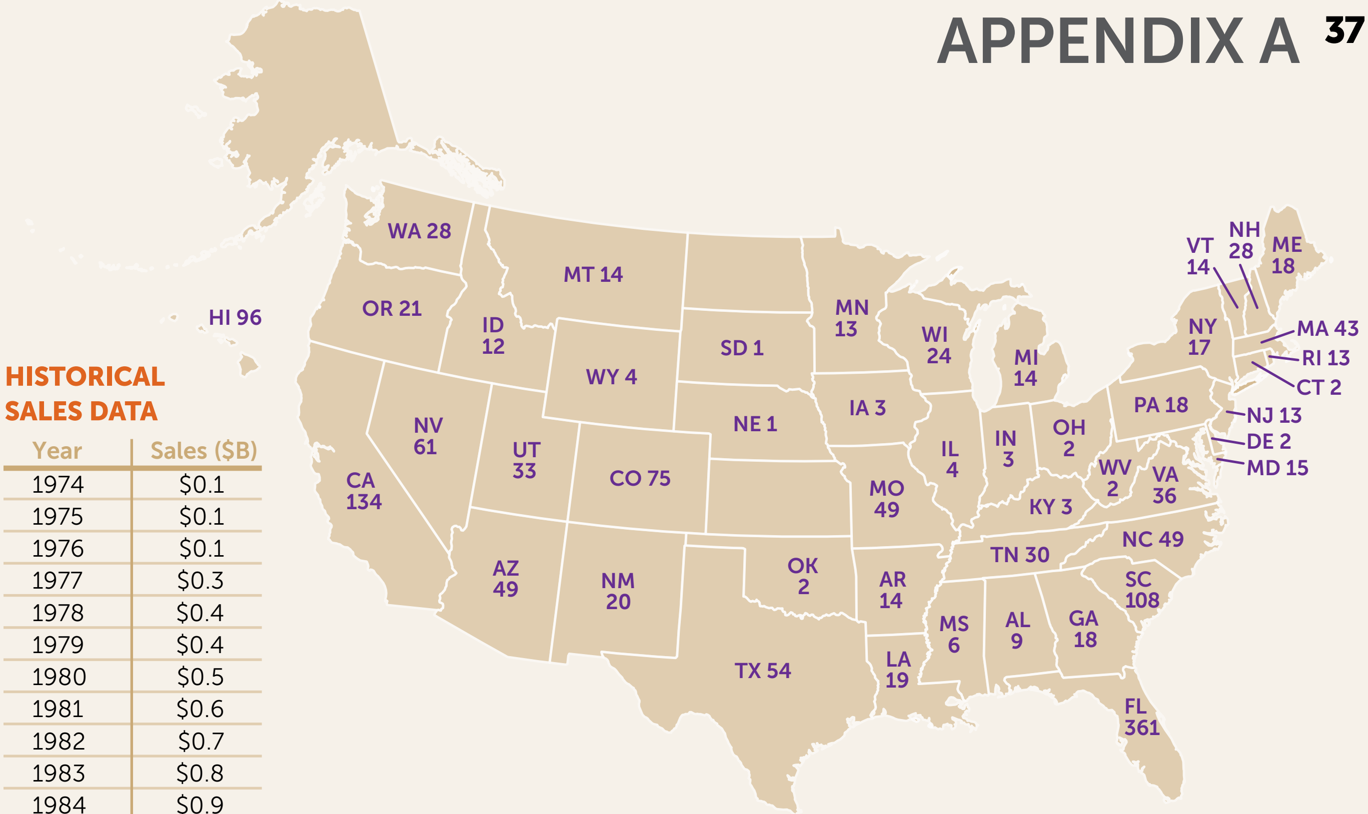
Construction results for respondents only, not industry-wide estimates

** Includes units planned at new and existing resorts*

Construction results for respondents only, not industry-wide estimates

In general, there were a number of positive developments in the timeshare industry in 2014. Sales volume grew, as did occupancy. Maintenance fee delinquencies decreased significantly, while maintenance fees increased. Among sold-out resorts, special assessments decreased and estimated reserve funding increased compared to two years ago. Construction was up significantly, and the construction outlook continues to improve.

APPENDIX A



HISTORICAL SALES DATA

Year	Sales ($B)
1974	$0.1
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
2012	$6.9
2013	$7.6
2014	$7.9

RESORTS BY STATE

State	Resorts	State	Resorts
FL	361	MD	15
CA	134	AR	14
SC	108	MI	14
HI	96	MT	14
CO	75	VT	14
NV	61	MN	13
TX	54	NJ	13
AZ	49	RI	13
MO	49	ID	12
NC	49	AL	9
MA	43	MS	6
VA	36	IL	4
UT	33	WY	4
TN	30	IA	3
NH	28	IN	3
WA	28	KY	3
WI	24	CT	2
OR	21	DE	2
NM	20	OH	2
LA	19	OK	2
GA	18	WV	2
ME	18	NE	1
PA	18	SD	1
NY	17		

PERCENTAGE OF UNITS BY STATE

State	% of units
FL	31%
CA	10%
HI	8%
SC	7%
NV	6%
VA	4%
MO	4%
AZ	4%
TN	3%
TX	3%
CO	3%
MA	2%
NC	2%
PA	2%
UT	1%
OR	1%
WI	1%
NJ	1%
WA	1%
All others	6%

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

APPENDIX B

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

Methodology

EY designed, built and distributed a password-secured, web-based survey questionnaire for data collection at the resort level. Data providers with multiple resorts received a corresponding version in Microsoft Excel. Individual responses to all questions were kept completely confidential. Only EY professionals responsible for the survey had access to individual survey responses. EY used the survey responses to produce most of the estimates detailed in this study — other sources are cited as appropriate. 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.

All identified timeshare resorts[17] in the US were sent a survey questionnaire. Of the 1,555 identified timeshare resorts, 765 responded — a 49% response rate. Of these 765 responding resorts, 644 belong to a family of ten or more resorts, while 121 belong to a family of less than ten resorts. Of these 121, 70 were single site resorts. In general, the information in this report includes estimates of industry-wide metrics. The lone exception is the estimate of construction activity, which is reported only for those responding to the survey and not extrapolated to the universe of timeshare resorts.

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, EY took 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 questionable responses at the point of data entry. For example, reported maintenance fees that appear too high based on previous response, or intervals owned per unit that seem implausible.
- Survey participants receive complimentary copies of the report as an incentive to respond.
- The AIF and EY conducted calling campaigns and sent electronic reminders to encourage response.
- EY 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.

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

APPENDIX C

The overall response rate is the most widely used measure of non-sampling error. The response rate has increased from 28% in 2005 (the year before EY began conducting the study) to 49% in 2014 and is well above the current typical response rate for surveys of this type. Our 95% 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 a majority of the industry's sales. The higher response rates of multi-site respondents could affect some of the results of this study if not addressed. Where appropriate, statistical weighting was used to help offset this potential bias in the study respondents. A comparison of the distribution of responding resorts to the distribution of the universe by state was conducted and did not reveal any systematic differences.

In general, a higher response rate helps improve the accuracy of estimates, but at the same time the higher rate can make comparisons to the results of previous years problematic. For example, if new respondents report relatively low unit counts for their resorts, this will drive the reported average resort size lower even though the industry may not have lost any units.

Special thanks are due to the timeshare industry professionals who dedicated their time and expertise to the development of the survey instrument employed to collect data for this report. Also the efforts of resort staffs who committed their time and energy to complete the survey questionnaires are truly appreciated.

SURVEY

Thank you for participating in the 2015 ARDA International Foundation (AIF) Survey!

The following survey is about timeshare resorts. If you have questions regarding the survey or this website, please call Joe Callender at 202.327.5692 or email joe.callender@ey.com.

Note: Please refer to the glossary for the definition of any underlined terms.

PLEASE COMPLETE AND SUBMIT NO LATER THAN **FEBRUARY 15, 2015**. Return via email to Joe.Callender@ey.com

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 ____________________
   RCI Identification Number ____________________
   Interval Identification Number ____________________
   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 2014, excluding re-sales. All other resorts are considered not in active sales. If the resort is being built in phases, and a construction phase is complete, the resort should be considered open, even if a new phase is still under construction.
   - ☐ Planned
   - ☐ Under Construction - not in Active Sales
   - ☐ Under Construction - in Active Sales
   - ☐ Open - Still in Active Sales (answer Q1a)
   - ☐ Sold Out Note: *Resort may have some resale activity* (answer Q1a)
   - ☐ Closed (answer Q1b & Q1c)

   1a. **Please select the year this resort opened for sales.**
   (Only answer if development stage equals Open or Sold Out)

   1b. **Please select the year this resort closed.**
   (Only answer if development stage equals Closed)

   1c. **Please specify a reason why this resort closed**
   (Open-ended; only answer if development stage equals Closed)

II. Resort Characteristics — *continued*

2. Who is the resort controlled by:

☐ HOA (s)/POA(s)/COA(s) ☐ Developer (Go to Q3)

Note: For the purposes of this study Condominium Owners Associations (COAs), Property Owners Associations (POAs) and Home Owners Associations (HOAs) are synonymous. If you have a POA or a COA please answer the questions regarding HOAs as if they were one and the same.

2a. [If HOA selected] **At approximately what percentage of sell out did the HOA(s) gain control of the resort?** _______________

3. Who manages the timeshare resort's day to day operation?

☐ Self-managed by HOA(s)
☐ Managed by a management company that is affiliated with the resort developer
☐ Managed by a third party management company
☐ Other, specify _______________

4. How are management fees determined?

☐ Not applicable
☐ Fixed amount
☐ As a percentage of the annual budget/operating expenses etc. (Go to Q4a)
☐ Other, specify_______________

4a. **What was the percentage of budget/operating expenses that was allocated to management fees in 2014?** _______________

5. What was the total amount of management fees paid in 2014? ______________________

Note: Please enter an actual dollar amount — do not use units such as thousands or millions.

6. Who employs your resort's employees?

☐ Resort developer
☐ Resort HOA(s)
☐ Management company
☐ Other, specify____________________

7. As of December 31, 2014, how many timeshare units does this resort have by size? 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.).

Count lockoffs as one unit	Count lockoffs as separate units
_____ Studio	_____ Studio
_____ 1BR	_____ 1BR
_____ 2BR	_____ 2BR
_____ 3BR+	_____ 3BR+
_____ **Total**	_____ **Total**

8. 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.)

Unit size	Square feet
Studio	_____
1BR	_____
2BR	_____
3BR+	_____
Total	_____

II. Resort Characteristics — *continued*

9. **Which of the following types of intervals does this resort currently have?** *(Check all that apply)*
   - ☐ Timeshare points

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

10. **Which of the following special types of intervals does this resort currently have?**
    - ☐ Biennials
    - ☐ Triennials
    - ☐ Other, please specify ____________________

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

	As of December 31, 2014
What is the total number of weekly equivalent intervals owned at your resort as of December 31, 2014 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, 2014?	________
What is the total number of weekly equivalent intervals at your resort that are owned by the developer as of December 31, 2014? 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.*

12. **Excluding intervals owned by the HOA or developer, how many intervals are owned by each of the following entities?**

	Number of Intervals Owned
Individuals who own one weekly interval	________
Individuals who own two or three weekly intervals	________
Individuals who own four to six weekly intervals	________
Individuals who own seven or more weekly intervals	________
Timeshare Clubs - not affiliated with the resort developer or management company	________
Travel clubs (provide members with services, discounts or other benefits on services related to travel).	________
Transfer companies (i.e. rescue, relief, postcard type companies that offer to transfer ownership of timeshare interests to the company or another person)	________
Other, please specify ________________________________	________
Total (Should equal first line of the table in Q11)	________

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

	Number of Different Companies
Travel clubs	________
Transfer companies - rescue, relief, postcard type companies	________
Timeshare clubs	________

II. Resort Characteristics — *continued*

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

☐ Yes (Answer Q14a) ☐ No (Answer Q14b)

14a. Please select any applicable legal structures of your owners' timeshare interests

- ☐ Undivided interest (UDI)
- ☐ Deeded weeks
- ☐ Direct (beneficial interest) or indirect (equity interest in sole trust beneficiary) interest in a timeshare 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
- ☐ Other, please specify ____________________

14b. Please select any applicable legal structures of your owners' timeshare interests:

- ☐ Right to use (contract)
- ☐ Membership
- ☐ License
- ☐ Leasehold
- ☐ Both deeded and right-to-use
- ☐ Other, please specify _________________

14c. How long is the contract, membership license or leasehold? [if one of first four selected above]

- ☐ Lifetime
- ☐ 20+ years
- ☐ 10-19 years
- ☐ 5 to 9 years
- ☐ Less than five years
- ☐ Other, please specify _________________

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

Vacation Experience	Onsite	Nearby	Vacation Experience	Onsite	Nearby
Beach	☐	☐	Rural/coastal	☐	☐
Country/lakes	☐	☐	Ski	☐	☐
Desert	☐	☐	Theme park	☐	☐
Gaming	☐	☐	Urban	☐	☐
Golf	☐	☐	Other, specify:		
Island	☐	☐	__________________	☐	☐

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

- ☐ Beach
- ☐ Country/lakes
- ☐ Desert
- ☐ Gaming
- ☐ Golf
- ☐ Island
- ☐ Rural/coastal
- ☐ Ski
- ☐ Theme park
- ☐ Urban
- ☐ Other, specify: ______________________

17. Which of the following amenities are provided at this resort?

Amenity	Complimentary	For additional fee	Amenity	Complimentary	For additional fee
24-hour front desk service	☐	☐	Miniature golf course	☐	☐
Basketball courts	☐	☐	Movie rental	☐	☐
Business resource room	☐	☐	Other sports courts	☐	☐
Concierge	☐	☐	Playground	☐	☐
Covered parking	☐	☐	Racquetball/squash courts	☐	☐
Exercise room	☐	☐	Sauna	☐	☐
Game room	☐	☐	Swimming pool	☐	☐
Guest-use computer	☐	☐	Tennis courts	☐	☐
Health spa	☐	☐	Whirlpool/hot tub	☐	☐
Ice skating	☐	☐	Other, specify:_________	☐	☐
Live entertainment	☐	☐			

II. Resort Characteristics — *continued*

18. Which of the following amenities are provided in units at this resort?

Amenity	Complimentary	For additional fee
Flat screen TV(s)	☐	☐
Radio	☐	☐
DVR player or recorder	☐	☐
In-room movie rental	☐	☐
Video game equipment or capabilities	☐	☐
Wi-Fi	☐	☐
Wired broadband Internet service	☐	☐
Laundry/washer/dryer	☐	☐
DVD player	☐	☐
Fireplace	☐	☐
Other, specify ___________	☐	☐

19. Do you offer a mobile application to owners and guests to enhance their experience?

☐ Yes ☐ No (Skip to Q21)

19a. **Which of the following features are offered via the mobile application to your guests?**

- ☐ Check in
- ☐ Access to units
- ☐ Virtual tour
- ☐ Mobile payment
- ☐ Other, specify: _______________

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.*

	2014
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 2014, 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 2014 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 2014
Maintenance fees	__________
Special assessments and other revenue sources	__________
Rentals	__________
Resales	__________
Recreational use fees (bike rentals, videos, etc.)	__________
Food & beverage	__________
Housekeeping	__________
Telecommunication (telephone, Internet etc.)	__________
Developer subsidy	__________
Laundry	__________
Other, please specify: ___________________	__________
Total Revenue	__________

III. Occupancy and Fees — *continued*

4. **As of Dec 31, 2014, what percent of your total billed maintenance fees were in each of the following categories?** *Please do not include maintenance fees billed for 2015.*

	In 2014
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%)	**100%**

VI. Resort Timeshare Sales

1. **Did this resort offer new timeshare inventory for sale in 2014? New inventory is considered "first generation" or "developer sales".**

☐ Yes ☐ No (Skip to section VII)

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

2. **What were your total <u>new timeshare sales</u> net of rescissions for 2014?**

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 <u>available for sale</u> at this resort? *Include all intervals available as of Dec 31, 2013* ***and*** *any that were made available during calendar year 2014.* ____________________

Of these how many were sold in 2014? *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 2014			
	Intervals available for sale	Number of intervals sold	Net sales volume ($)	Average price ($)
Points based intervals (Excluding biennials and triennials)	_________	_________	_________	_________
Weeks based intervals* (Excluding biennials and triennials)	_________	_________	_________	_________
Total	_________	_________	_________	_________

Includes <u>traditional interval weeks</u> and <u>interval weeks with the ability to use through a timeshare points system</u>

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

	In 2014		
	Number sold (do not convert to weekly equivalent)	Net sales volume ($)	Average price ($)
Biennials	_________	_________	_________
Other	_________	_________	_________

VI. Resort Timeshare Sales — *continued*

5. **What was your net 2014 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.
   $ ________

6. **Of your total 2014 net sales volume as listed in question 2, indicate the approximate percentage sold to**

	Percent
New owners (including owners who purchased as a result of participation in a trial membership program)	_________
Existing owners	_________

7. **What was your 2014 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. **Does this resort offer any of the following for sale?**

Yes	No	
☐	☐	Fractional sales
☐	☐	Whole ownership
☐	☐	Private Residence Clubs
☐	☐	Other, specify_________________

V. Inventory Management

1. **Which of the following types of programs do you offer for intervals at property(ties) which you have developed and/or manage** *(Check all that apply)*
   - ☐ A buy-back program of timeshare intervals at a mutually agreeable price
   - ☐ Right of first refusal when owners attempt to sell their timeshare interval
   - ☐ Ability to return timeshare inventory in exchange for release of maintenance fee requirements — only select this option if there are no other financial considerations
   - ☐ Ability to convert to a reduced allotment of timeshare points and or/time (such as a fewer number of days or conversion to a biennial arrangement)
   - ☐ Other, please specify ____________________
   - ☐ None (Go to next section)

2. **In 2014, how many intervals at your property(ties) did you re-claim from timeshare owners?**

	In 2014
Current (Fewer than 30 days delinquent)	__________
Under buy-back or time/point reduction programs	__________
Purchased on the secondary market	__________
Due to foreclosure	__________
Voluntary surrender	__________
For other reasons	__________
Total	__________

3. **Do you include sales volume associated with sales of re-claimed timeshare inventory in your reported total sales volume of new sales?**

   ☐ No ☐ Yes (Go to Q4)

   3a. **What was the revenue associated with your sales of re-claimed timeshare inventory in 2014?** ____________
   Note: Please enter an actual dollar amount — do not use units such as thousands or millions.

4. **Which of the following programs do you have in place to manage your inventory?**
   - ☐ Developing partnerships or rental relationships with 'Uber', airbnb or other web driven 'sharing' entity in order to push inventory
   - ☐ Leasing or buying rooms in branded or unbranded hotel as a way to extend destinations
   - ☐ Other, please specify_____________________

VI. Sold Out Resort Management

This section should only be answered by respondents who responded that they are not in sales in Q1 of Section II. Resort Characteristics.

1. How many times in 2014 were special assessments levied by the HOA(s)?

- ☐ None (Skip to Question 2)
- ☐ Once
- ☐ Twice
- ☐ 3 or more times , please specify _______________

1a. **Why was the special assessment necessary (select all that apply)?**

- ☐ Natural disaster (such as a hurricane, a flood, etc...)
- ☐ Unanticipated expansion of resort product or amenities
- ☐ Planned expansion of resort product or amenities
- ☐ Unanticipated or premature failure of capital assets (NOT related to natural disaster)
- ☐ Higher delinquency rate than expected
- ☐ Unanticipated refurbishment (NOT related to natural disaster)
- ☐ Planned refurbishment (NOT related to natural disaster)
- ☐ Other, please specify _____________________

2. Are there any special assessments planned in 2015?

- ☐ Yes
- ☐ No (Skip to Question 3)

2a. **Why will the special assessment be necessary (select all that apply)?**

- ☐ Natural disaster (such as a hurricane, a flood, etc...)
- ☐ Unanticipated expansion of resort product or amenities
- ☐ Planned expansion of resort product or amenities
- ☐ Unanticipated or premature failure of capital assets (NOT related to natural disaster)
- ☐ Higher delinquency rate than expected
- ☐ Unanticipated refurbishment (NOT related to natural disaster)
- ☐ Planned refurbishment (NOT related to natural disaster)
- ☐ Other, please specify _____________________

3. What was the date of the most recent reserve study?

- ☐ Have not conducted a reserve study (GO TO Q4)
- ☐ 2014
- ☐ 2013
- ☐ 2012
- ☐ 2010 or before

3a. **Was the study performed by an independent third party or in house?** _________________

- ☐ Independent third party
- ☐ In-house

4. At the end of 2014 what were the estimated reserve funds on hand as a percentage of estimated total reserve funding? *(Estimated total reserve funding is defined as the amount that would be necessary to completely replace all items contained in your reserve study to the extent an amount or portion thereof should have been set aside for the item as of a certain date, for example — if your reserve study stated the roof would cost $50,000 to replace and it was at 1/2 its estimated useful life, your reserve should contain 50 % of the costs of roof replacement, $25,000 at the certain date)*

__________________________%

5. How often does your timeshare resort conduct a reserve study?

- ☐ Have not conducted a reserve study
- ☐ Every year
- ☐ Every 2 years
- ☐ Every 3 years
- ☐ Every 4 years
- ☐ Every 5 years
- ☐ Other, please specify _____________________

VI. Sold Out Resort Management *— continued*

6. **What percentage of the billed maintenance fees were contributed to the reserve fund in 2014?**

   __________________________%

7. **In 2014, how did the contributions to the resort's reserve fund from maintenance fees compare to that recommended in the most recent reserve study.** *(Skip Q7, Q7a and 7b if Q3 =1)*
   - ☐ At or above the level recommended in the study (Go to next section)
   - ☐ 10% or less below
   - ☐ More than 10% below

   7a. **What caused contributions to the reserve fund to be lower than the reserve study target?**

   Please select all that apply
   - ☐ Resorts experienced a higher level of maintenance fee delinquencies than expected
   - ☐ The percentage of maintenance fees dedicated to reserves was not sufficient
   - ☐ Reserve fund expenditures were higher than expected
   - ☐ Other, please specify _____________________

   7b. **How did you make up the difference between what you collected and the recommendation of the reserve study?**
   - ☐ We did not make up the difference
   - ☐ Special assessment
   - ☐ Other, please specify _____________________

8. **Does the resort receive any financial support from the developer?**

   ☐ Yes ☐ No

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'.

	Number of Units
# Timeshare Units Built in 2014	__________
# Timeshare Units Planned for 2015	__________
# Timeshare Units Planned for 2016 or beyond (w/firm commitments)	__________

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

	Number of Resorts
New Resorts Planned for Completion in 2015	__________
Associated Number of Units in 2015	__________
New Resorts Planned for Completion in 2016 and beyond	__________
Associated Number of Units in 2016 and beyond	__________

VIII. Timeshare Rental and Resales Programs

1. **Does your resort offer a rental program to help rent weeks that are owned by either of the following?**

   Check all that apply.

   ☐ Owners ☐ HOA(s) ☐ None of the above (Skip to Q6)

   1a. **How do you calculate rental commissions and/or fees that are paid by owners?**

   Please select all that apply
   - ☐ As a fixed amount (GOTO Q1b)
   - ☐ As a commission based percentage (GOTO Q1c)
   - ☐ Other, specify_________________(GOTO Q2)

   1b. **What is the average flat fee charged to owners as part of this program?** ______________

   1c. **What commission percentage is paid by owners to rent out their intervals?** ______________%

VIII. Timeshare Rental and Resales Programs — *continued*

2. Who manages the rental programs?

- ☐ Developer
- ☐ Management company
- ☐ Other, specify______________________

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

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

4. Which of the following do you use to publicize the availability of rentals at this resort? *(Check all that apply)*

- ☐ Resort website
- ☐ External rental websites (e.g., Redweek.com or SellMyTimeshareNOW.com)
- ☐ OTAs (Priceline, Hotels.com, Expedia etc.)
- ☐ Timeshare broker and/or broker website
- ☐ Physical bulletin boards at resort
- ☐ Newspaper
- ☐ Radio
- ☐ Television
- ☐ Social media (Facebook, Twitter, etc.)
- ☐ Blog
- ☐ Other, specify __________________

5. What is the total number of nights rented and the associated rental income for 2014?

Total number of nights rented _____________________

Associated rental revenue ($) _____________________

6. Does your resort offer a resale program to help sell weeks that are owned by either of the following?

Note: Not including sales of timeshare intervals that are included in your developer sales

- ☐ Owners
- ☐ HOA(s)
- ☐ None of the above (Skip to end)

6a. **How do you calculate resale commission and/or fees that are paid by owners?**

- ☐ As a fixed amount (go to 6b)
- ☐ As a commission based percentage (go to 6c)
- ☐ Other, please specify______________________(go to Q7)

6b. **What is the average flat fee charged to owners as part of this program?** $___________

6c. **What commission percentage is paid by owners to re-sell their intervals?** __________%

7. Who manages the resale program?

- ☐ Developer
- ☐ Management company
- ☐ Other, specify __________________

8. What channels do you use to promote resale? *(select all that apply)*

- ☐ The resort's own website
- ☐ An onsite licensed real estate broker who is affiliated with your resort (HOA)
- ☐ An offsite licensed real estate broker who specializes in timeshare and is affiliated with your resort (HOA)
- ☐ A full service online licensed real estate brokerage that specializes in timeshare
- ☐ A licensed real estate broker that specializes in timeshare but is independent from your resort
- ☐ A licensed real estate broker who does not specialize in timeshare
- ☐ A website that specializes in advertising timeshares for sale or rent (not a licensed broker)
- ☐ An offline timeshare resale listing company
- ☐ A general advertising or auction website that does not specialize in timeshare, such as Craig's list or eBay
- ☐ A classified ad in a traditional printed periodical, such as a newspaper or magazine (which may also appear online, such as *USA Today*)
- ☐ A classified ad in a printed timeshare periodical, such as a catalogue or magazine (which may also appear online, such as *Timesharing Today*).
- ☐ Social media (e.g., Facebook, Twitter)
- ☐ Other, please specify _____________________

Available for sale

Unsold inventory of completed units ready for intended use, including reacquired and unsold product. Include intervals for a finished unit that were not sold as of December 31, 2013. Also include intervals for any unit where construction was completed and the unit made available for sale in calendar year 2014. Units that are ready for intended use but do not yet have a certificate of occupancy should be included as completed inventory. Also include unsold inventory of incomplete units available in phases that are in pre-sales.

Biennials

Vacation ownership product that provides a week's worth (or points equivalent) of timeshare interest every other year.

Estimated total reserve funding

The amount that would be necessary to completely replace all items contained in your reserve study to the extent an amount or portion thereof should have been set aside for the item as of a certain date, for example — if your reserve study stated the roof would cost $50,000 to replace and it was at 1/2 its estimated useful life, your reserve should contain 50% of the costs of roof replacement, $25,000 at the certain date.

Fractional

Ownership interest that is either a shared equity or club interest representing a time period not fewer than two weeks but usually three weeks or more. Fractional ownership typically offers additional services, amenities, and flexibility relative to timeshare, so that a bundle of timeshare weeks would not be considered a fractional interest. Fractional sales and financed notes should be excluded from totals and averages reported in this survey.

Geographical Areas

Classify states (other than Florida, California, Hawaii, Nevada and South Carolina) as follows:

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

Interval weeks with the ability to use through a timeshare points system

Refers to a points system or vacation club backed by an interval week interest. The legal structure of the consumer's purchase is supported by a deeded week or week-based ownership interest, but the consumer has the ability to use the interest at its "home resort" or directly through a timeshare points-based system.

Multiple resort family

A company that owns more than one timeshare resort.

New sales

First generation or developer sales; does not include interests that were once owned and later resold on the secondary market. Exclude temporary sales such as trial memberships, exit programs and sample programs. Include the incremental dollar value of upgrade sales and reloads, regardless whether the sale represents incremental ownership of time. For example, include the dollar value of upgrades from a biennial to an annual interval, as well as an upgrade from a shoulder season to peak season or an upgrade from a one-bedroom to a two-bedroom..

Planned timeshare resorts

Resorts to be constructed for which the corporate finance committee has given its approval and/or financing has been secured and approved by the appropriate entity.

Planned timeshare units

Units to be constructed for which the corporate finance committee has given its approval and/or financing has been secured and approved by the appropriate entity.

Private Residence Club

High-end fractional products with an average sales price of $59,000 per week. Members usually pay maintenance and membership fees for privileged access to amenities and lodging.

Reload

A transaction whereby a customer obtains a second interval from the same seller but does not relinquish the right to the first, for example, obtaining an additional unit, an additional interval, or additional points.

Sales upgrade

A transaction where an owner has relinquished their rights to a previous purchase in order to have rights to a different timeshare interest such as a larger unit, longer time increment, or from a fixed-week to points program.

GLOSSARY OF TERMS

Recissions

Sales contracts that are executed and for which the timeshare company has received valid funds in accordance with the sales contracts, but which do not close escrow within 30 days. Contracts that fail to have adequate funds should be viewed as pending contracts and should not be recognized as either gross sales or rescissions. Deeds in lieu of foreclosure and/or contracts obtained by the developer through foreclosure proceedings should not be reflected in the rescission amounts. Depositary rescissions, which are situations in which the buyer has made a deposit but hasn't yet provided the down payment necessary to qualify the transaction as a contract sale, are not counted as part of gross sales, and therefore are not counted as rescissions.

Reserve study

Comprehensive plan that predicts when various capital items are expected to wear out and estimates the funds set aside for replacement

Sales volume

Net originated sales for the given year, which equals gross sales minus rescissions. Sales value should approximate the amount at which a timeshare interest would be sold in an all-cash sale, without financing or incentives. Determined by adjusting the stated sales price to the present value of the receivable, adding fees paid by the buyer that are unrelated to financing, and subtracting the value of incentives and services provided to the buyer (to the extent the fair value of the incentives or services exceeds the amount the buyer pays for the incentives or services).

Sampler or trial membership program

A marketing program under which a timeshare developer offers a customer, who has previously toured one of the developer's projects, a stay at one of the projects at a reduced rate. In exchange, the customer agrees to take another, subsequent tour of the project selected under the sampler program during the customer's stay at the project. If the subsequent tour results in a sale, the developer may allow the customer to apply some or the entire amount paid for the sampler toward the purchase of a timeshare, as a part of the down payment.

State of residence

The state where timeshare owners own their primary residence.

Timeshare occupancy rate

The percent of units occupied by a timeshare guest.

Timeshare

Vacation ownership interests that are usually sold in one-week increments but in some instances up to but less than 3-week increments (or points equivalent). It does not include the fractional interest product type.

Timeshare points

Refers to pure points systems. The consumer has purchased points or credits backed by a usage right to a club's internal network of resorts.

Traditional interval weeks

Refers to ownership of traditional interval weeks. The consumer has purchased a specific type of week at a specific resort. This week may then be exchanged through internal or external exchange systems, either for an interval week-based vacation or in some cases transferred for points, such as in a hotel brand frequent guest program.

Transfer companies

Rescue, relief, postcard type companies that offer to transfer ownership of timeshare interests to the company or another person.

Travel clubs

Provide members with services, discounts or other benefits, usually for three years or less, on the use or purchase of transportation, accommodations (that may include timeshare units) or other services related to travel. Generally, such clubs do not actually own any accommodations but may lease them on a short-term or as needed basis.

Vacant intervals

Intervals not used by anyone during the given year. Include all intervals which are not used by an owner, exchange guest, renter, or marketing plan participant, including rooms provided on a complimentary basis for purposes other than marketing. Do not include weeks set aside for maintenance.

Weekly intervals

Refers to ownership of traditional interval weeks or interval weeks with the ability to use through a timeshare points system.

Whole ownership

Vacation product in which each unit has one owner. Whole ownership sales and financed notes should be excluded from totals and averages reported in this survey.

1201 15th Street NW, Suite 400
Washington, DC 20005
(202) 371-6700
(202) 289-8544 fax

State Government Affairs Office
Landmark Center Two
225 E. Robinson Street, Suite 545
Orlando, FL 32801
(407) 245-7601
(407) 872-0771 fax

www.arda.org

MEMBER $250 | NON-MEMBER $350