

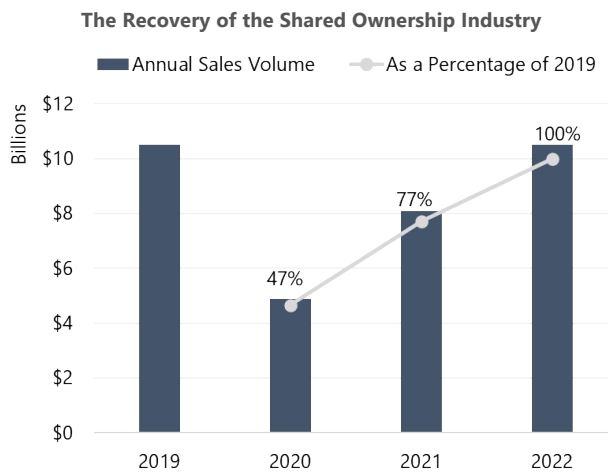
The Timeshare Industry Fully Recovered in 2022

August 2, 2023 / By Gary L. Johnson



In June 2023, **ARDA International Foundation (AIF)** announced that timeshare sales in calendar 2022 increased by 30%, from \$8.1 billion in 2021 to \$10.5 billion in 2022. This 2022 sales figure was equal to pre-pandemic level achieved in 2019. Thus, timeshare sales fully recovered in 2022.

The following table illustrates the annual sales volume achieved from 2019 through 2022, along with the percentage of each year as compared to the pre-pandemic year.



Source: ARDA AIF

The Evolution of the Timeshare Industry

Historically, the timeshare industry was framed by fragmented, regional developers. These developers typically offered an inflexible, fixed week/fixed unit product that was generally real estate-focused and capital intensive. Today, the industry's image has improved given the entrance of branded developers in the space, such as **Marriott Vacation Club**, **Hilton Grand Vacations**, **Travel + Leisure Co.** (Wyndham), and **Holiday Inn Club Vacations**. Furthermore, the industry has shifted to more flexible plans with club products more closely aligned with travel patterns. These newer products also provide timeshare owners with more flexible options for the length of their vacations, unit types, and locations. In addition, the industry is now considerably more capital efficient, with programs such as just-in-time inventory and inventory recycling through developer-sponsored exit programs.

In the **U.S. Shared Vacation Ownership Owners Report, 2022 Edition**, a survey of timeshare owners conducted by AIF revealed that 71% of owners rated their overall ownership experience as excellent or very good and 19% rated it as good. Thus, roughly 90% of timeshare owners reported that they are happy with their timeshare experience.

Industry Outlook

The long-term outlook for the industry is positive. However, in the short term, the industry faces headwinds from high interest rates, which directly impact financing debt and hypothecation loans, reducing the arbitrage

Summary

This article provides a summary of the current state of the timeshare industry, as well as the outlook in the current environment. We also highlight the benefits of timeshare resort ownership. Lastly, we describe the opportunities for entering this industry.

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derived from consumer notes. However, the industry is a proven resilient business model that has consistently shown an ability to transform and adjust to adversity over the years.

The uncertainty of the economy is also a challenge, but the timeshare industry is well positioned to face the possible recessionary challenges. Timeshare vacations are “pre-paid” upfront, which contributes to high occupancy levels and helps to mitigate the effects of economic cycles. Furthermore, the locked-in price for future vacations is a selling point within the industry for the value that it provides, especially during inflationary periods.



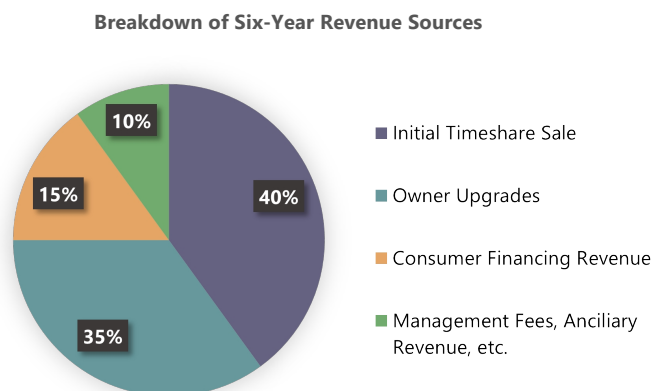
Benefits of Timeshare Resort Ownership

While revenue from a timeshare resort development is primarily derived from the sales of timeshare interests, there are other significant revenue components to consider. A timeshare operation also allows the developer to generate revenue associated with financing timeshare sales. Other potential revenue streams include the following:

- Annual membership dues and property management fees (paid through annual maintenance fees)
- Consumer financing fees
- Ancillary revenues from restaurants, spas, and other facilities

New buyers and owner upgrades further grow these revenue streams and create a multiplier effect. Furthermore, transient rentals of unsold or unused inventory can offset carrying costs.

The following chart illustrates an example of the sources of revenue (as a percentage) over a six-year period, which shows the multiplier effect stemming from the initial timeshare sale.



Source: Estimated by HVS

Opportunities to Enter the Timeshare Industry

The primary way for a developer or resort owner to enter the timeshare industry is to secure a fee-for-service contract with a timeshare company. The advantage of this structure is that an experienced and effective sales and marketing operation is provided by the timeshare company, while the ancillary revenues, as detailed above, are

retained by the resort owner. Other potential opportunities may include selling the resort, or phases of the resort, to a timeshare company.

Examples of property owners who might benefit from exploring these opportunities include the following:

- The developer of a mixed-use resort that may benefit from the addition of a timeshare component.
- A condominium developer facing slow demand for whole-ownership sales.
- A hotel owner with excess inventory that could be isolated to a specific wing or building.

Timeshare Consulting at HVS

Today, the timeshare industry is a sophisticated operation, so finding the right partner is a key consideration.

HVS Shared Ownership Consulting is the preferred appraiser for the primary lenders in the timeshare industry.

Through this work, we have developed contacts with the most important participants in the industry, allowing us a solid base for consulting on these projects.

For more information or to inquire about specific timeshare opportunities, please **contact Gary Johnson** with HVS Shared Ownership Consulting.

About **Gary L. Johnson**



Gary Johnson is the Senior Vice President and oversees HVS' Shared Ownership Consulting division, specializing in hotel and shared ownership asset advisory. He has appraised and/or consulted on more than 300 hotels, vacation ownership resorts, and mixed-use developments located in more than 20 states and ten countries. In addition to expertise in valuation and consulting of all types of hotel products, Gary has significant expertise in shared ownership real estate, including private residence clubs, fractional properties and timeshare resorts. Contact Gary at +1 (305) 525-8702

or .