As recent quarters have illustrated, the rising tide of national economic growth has turned quickly, bringing expectations of deep recession. On the surface, we see the rapid changes in travel patterns as consumers and businesses reduce discretionary spending and companies reduce workforces across the economy.

Beneath the surface, the changes are somewhat slower but no less profound, as local communities take stock in the foundations of their local economies. Who are the steady employers? What are the sectors that draw new spending to the local area to fuel restaurants, retail, and entertainment? What activities support the tax revenues necessary to maintain local services? Such discussions will be made more important and frank by the current economic climate.

In this context, the timeshare sector has a powerful story to be discussed pragmatically and openly. The results of PricewaterhouseCoopers’ recent research, commissioned by the ARDA International Foundation, demonstrate the importance of the sector in terms of jobs, income, and tax revenues. This research can be an effective part of discussions to remind communities and leaders of the important role timeshare resorts play in diverse, growing economies. This research comes at an important time. This article begins with an introduction to the research and comparisons to other sectors and concludes with thoughts on the important position of timeshare resorts in resort communities.

The research study is Economic Impact of the Timeshare Industry on the U.S. Economy 2008 edition; the results are based on a survey response of timeshare entities, covering 506 timeshare resorts with approximately 58,400 timeshare units and $5.1 billion of timeshare sales. This sample represents 31 percent of existing U.S. timeshare resorts, 32 percent of existing U.S. timeshare resort units, and approximately 49 percent of U.S. industry sales. The strong participation of resorts, timeshare companies, and exchange companies has been critical to the economic rigor of the study. In addition, more than 4,700 timeshare owners responded to an on-line survey, providing valuable information on their most recent U.S. timeshare vacation.

The economic impact of the timeshare industry may be considered in three categories. The first, direct impact, is the spending related to the timeshare industry— including purchases of timeshare ownership interests, owner spending on resort maintenance fees, and owner/guest spending during timeshare vacations—which supports jobs at timeshare resorts and companies, businesses involved in timeshare resort construction projects, and businesses that provide goods and services to timeshare vacationers.

The direct impacts initiate a spending process in which dollars are cycled through the U.S. economy, supporting a second category: indirect impact. The timeshare industry purchases goods and services from a variety of other industries supporting jobs in these industries, and supporting additional rounds of purchases. Meanwhile, the employees holding direct-impact jobs spend a portion of their disposable income on goods and services from other sectors of the economy. These jobs supported by this cycle of spending, or multiplier process, are referred to as the indirect economic impact and are quantified in an economic impact model.

Thirdly, the timeshare industry supports significant levels of tax...
Revenues for federal, state, and local governments (referred to as fiscal impact) through the activities of timeshare companies, owners, and other resort guests, and through the indirect impact the industry has on other sectors of the economy. For example, timeshare facilities support substantial property and occupancy tax revenues, and the significant payroll and related income earned by timeshare employees supports federal, state, and local taxes in a variety of ways.

Impacts

Direct
- Timeshare industry activities supported 279,800 direct jobs and $10.5 billion of direct salaries, wages, and other income.
- Timeshare owners took approximately 7.2 million timeshare vacations. With an average of 3.4 travelers per visitor party, this amounted to 24.6 million timeshare travelers. Timeshare traveling parties spent an average of $1,870 per trip, yielding total estimated spending of $13.5 billion. New and existing owners spent approximately $10.6 billion on purchases of new timeshare ownership interests, and contributed $5.0 billion to current resort operations and future maintenance and refurbishment of unit accommodations and resort facilities. This combined total of $29.2 billion in purchases represents direct timeshare related output (reflects rounding).
- Direct resort impacts were substantial, as timeshare resorts, corporate offices, call-centers, and off-site sales offices employed an estimated 152,200 people who earned $5.7 billion in salaries, wages and related income. Of these employees, 52,900 were employed in timeshare sales and marketing operations, and 99,300 were employed in timeshare resort operations. The average timeshare employee earned $37,000 in salaries, wages, and related income, which is higher than the $31,000 earned per employee in the accommodations sector and close to the service sector average of $39,000. Timeshare resorts operated with an average occupancy rate of 80.2 percent in 2007, compared to the average U.S. hotel occupancy of 63.1 percent.
- Direct resort construction impacts, which occurred as the industry expanded existing resorts and built new ones to keep pace with consumer demand, supported approximately 22,200 jobs and $1.1 billion in salaries, wages and related income. In addition to these resort construction impacts, ongoing resort spending on maintenance and capital improvements to existing facilities supports jobs at timeshare resort operations and, in the case of services provided by outside firms, indirect jobs in other sectors of the economy.
- Direct vacation expenditure impacts, generated by owner and guest spending during timeshare vacations, supported approximately 105,400 jobs and $3.7 billion in salaries, wages, and related income at businesses in resort destinations (i.e., restaurants, retail outlets, and visitor attractions).

Indirect
- Other sectors of the economy were indirectly impacted by the timeshare industry. For example, timeshare employees spent their disposable income and timeshare companies purchased goods and services from other businesses. Through such indirect impacts, the timeshare industry supported an estimated $47.5 billion of purchases, 309,000 jobs, and $14.8 billion in salaries, wages, and related income.

Fiscal
- An estimated $430 million in property taxes was paid on timeshare resorts. This expense was mostly covered by annual contributions paid by households that own timeshares. In addition, the corporate offices of timeshare companies and sales and support facilities paid an estimated $30 million in property taxes. An estimated $110 million in occupancy taxes were paid, primarily by vacationers renting timeshare accommodations. Therefore, timeshare property and occupancy taxes totaled an estimated $570 million. In addition, timeshare businesses and their employees paid an estimated $1.2 billion in payroll and personal income taxes. These taxes, plus approximately $8.4 billion generated by other activities supported by the industry, resulted in a total of $10.2 billion in annual tax revenues to federal, state, and local governments.
- In total, the timeshare industry economic impact supported an estimated $77 billion of output; 588,800 full- and part-time jobs; more than $25 billion in salaries, wages and related income; and more than $10 billion of tax revenue.

Industry Comparisons
To help put the economic importance and growth of the timeshare industry in perspective, it is useful to consider employment and revenue estimates for other industries. As shown in the industry comparisons table (Table 1, p. 23), the timeshare industry employs more people than several other industries noted. For example, U.S. museums and historical sites employed an estimated 123,200 people in 2006, while timeshare resorts, timeshare companies, and exchange companies employed 152,200 in 2007. Also, timeshare sector employment
grew at a 6.7 percent annualized rate from 2002 to 2007, compared to just 1.6 percent annualized growth at golf courses and country clubs.

Timeshare consumer spending is also growing rapidly. Timeshare owners and guests spent an estimated $29.2 billion on purchases of new timeshare, maintenance fees, and purchases during timeshare vacations. For comparison, during 2006, patrons of golf courses and country clubs spent an estimated $19.3 billion.

Role in Resort Communities

The growing economic output of timeshare resorts described above is valuable to local economies, and timeshare resorts have an important role to play in the years ahead. The business model of many timeshare resorts is geared toward achieving high levels of year-round occupancy. This can serve as a stabilizing base for resort communities in two ways. First, a more stable year-round occupancy level helps to support stable year-round demand for local services. This reduces the pressure to build excess capacity.

Table 1. Industry comparisons

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<tbody>
<tr>
<td><strong>Occupancy rate</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Hotels</td>
<td>59%</td>
<td>63%</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Timeshare resorts</td>
<td>79%</td>
<td>79%</td>
<td>80%</td>
<td></td>
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<tr>
<td><strong>Number of employees (rounded)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marinas</td>
<td>23,000</td>
<td>27,500</td>
<td>28,300 *</td>
<td>5.3% *</td>
</tr>
<tr>
<td>Museums and historical sites**</td>
<td>116,100</td>
<td>120,900</td>
<td>123,200 *</td>
<td>1.5% *</td>
</tr>
<tr>
<td>Golf courses and country clubs</td>
<td>290,000</td>
<td>304,600</td>
<td>309,400 *</td>
<td>1.6% *</td>
</tr>
<tr>
<td>Timeshare establishments</td>
<td>110,000</td>
<td>133,400</td>
<td>152,200 *</td>
<td>6.7% *</td>
</tr>
<tr>
<td><strong>Consumer spend (billions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marinas</td>
<td>$3.4</td>
<td>$3.7</td>
<td>$3.9 *</td>
<td>3.8%</td>
</tr>
<tr>
<td>Museums and historical sites**</td>
<td>8.8</td>
<td>10.1</td>
<td>11.5 *</td>
<td>7.6%</td>
</tr>
<tr>
<td>Golf courses and country clubs</td>
<td>17.5</td>
<td>18.5</td>
<td>19.3 *</td>
<td>2.4%</td>
</tr>
<tr>
<td>Timeshare owners - for and during interval owned</td>
<td>$17.7</td>
<td>$22.6</td>
<td>$29.2</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

* Figures shown are for 2006; annualized growth is adjusted accordingly.
** Includes museums, historical sites and similar institutions.

Source: U.S. Census Bureau, Smith Travel Research, and PricewaterhouseCoopers LLP.

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for peak periods, hedges the fall-off in activity during low-season periods, and helps support year-round jobs. Second, because timeshare owners have purchased their interval in advance, they can vacation without the discretionary cost of a hotel room. This provides a way for timeshare resorts to help support travel during periods of economic uncertainty.

In these challenging times, when news headlines report increasing unemployment and contracting household income, the economic impact of the timeshare industry—particularly its direct impact on local communities—is especially meaningful. With industry-wide occupancy rates averaging 80 percent, the employment base at timeshare resorts constitutes a stable source of income for local residents. Meanwhile, the $1,870 average spend per timeshare vacationer party brings new spending to the local economy, fueling further economic activity.

The difficult economic environment expected through 2009 will present challenges for the timeshare industry, particularly related to new developments and sales. This is balanced by the significant opportunity that exists for the timeshare sector to renew its connections with local communities. By focusing on the value offering of the timeshare vacation experience and maximizing owner usage, operators and resort destination community leaders can maintain or even grow the sector’s valuable economic benefits.

Scott D. Berman is a principal and serves as the U.S. Industry Leader for PricewaterhouseCoopers’ Hospitality & Leisure Practice; he has more than 20 years of experience in the field of hotel and resort development and operations.

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