

# Hawai'i Timeshare Quarterly October - December 2014

## Statewide Timeshare Performance & Taxes

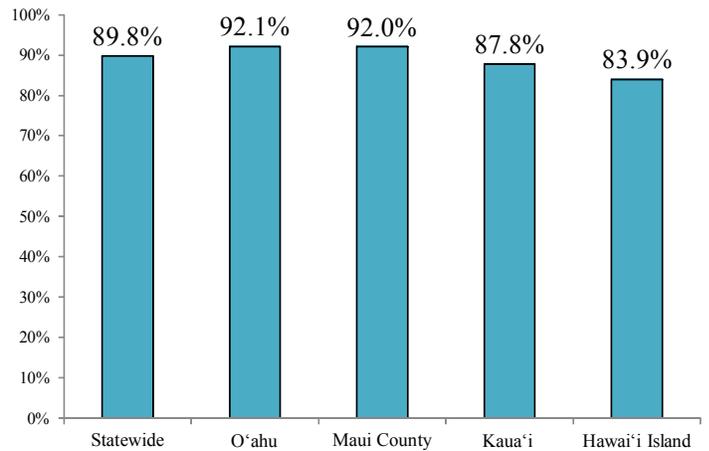
The Hawai'i timeshare industry averaged an occupancy rate of 89.8 percent during the last quarter of 2014, an increase over the same period last year (+1.1 percentage points). All islands also experienced higher hotel occupancy rates compared to the previous year. The traditional hotel and condo hotel market averaged 74.9 percent occupancy during the same three months (+2.6 percentage points). The fourth quarter survey, based on responses from individual timeshare properties, represents 74.5 percent of timeshare units statewide.

In the fourth quarter, the state welcomed a total of 182,284 visitors choosing to stay at a timeshare resort at some point during their stay, up 4.4 percent over the previous year. The timeshare visitor market represented 9.0 percent of all visitors to Hawai'i, unchanged compared to the fourth quarter last year, as reported by the Hawai'i Tourism Authority ("HTA"). Of these timeshare visitors, 76.3 percent stayed exclusively at timeshare resorts during their trip to Hawai'i.

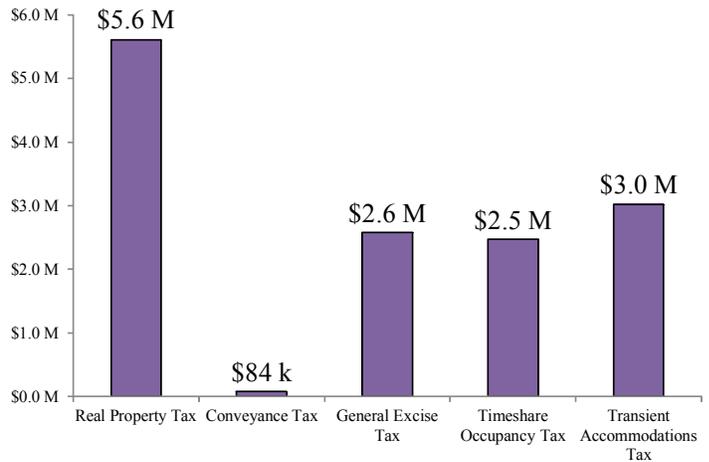
The overall increase in timeshare visitor arrivals was supported by increases on O'ahu (+8.1%), Maui County (+6.9%), and Hawai'i Island (+5.3%). Kaua'i saw a slight decrease in arrivals for the quarter (-0.9%), but finished with a 1.7% increase in the month of December.

In the last quarter of the year, survey participants in the state generated a total of \$13.8 million in taxes; including real property tax, conveyance tax, general excise tax, transient occupancy tax ("TOT") and transient accommodations tax ("TAT"). Real property taxes accounted for \$5.6 million or 40.7 percent of reported statewide tax contributions. We note that not all properties reported taxes for the fourth quarter and that some respondents chose not to report certain taxes for this survey.

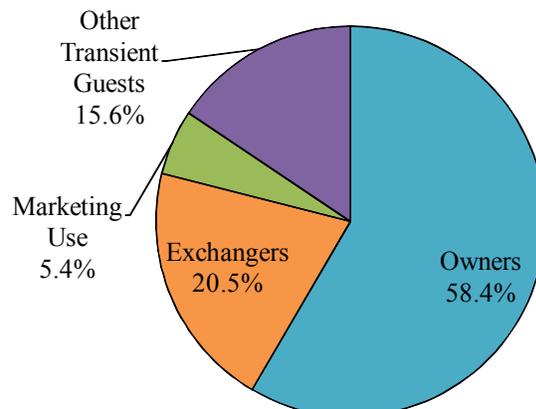
**Timeshare Occupancy by Island**



**Mix of Taxes Paid Statewide**



**Statewide Mix of Occupied Room Nights**



## Statewide Employment and Payroll

Interval owners and exchangers (those who participate in timeshare exchange programs) accounted for 79 percent of all occupied room nights in the fourth quarter. Transient rentals, which also includes additional room nights purchased by timeshare owners and exchangers beyond their allotted timeshare ownership stay, represented 15.6 percent of total occupied room nights across the state.

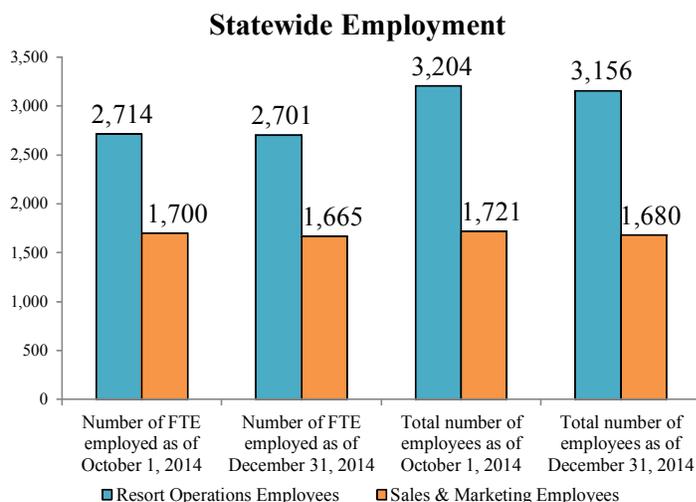
Of the 74.5 percent of units represented statewide, the number of employees working at timeshare resorts saw a decrease in the fourth quarter; resort operations employees in the state decreased slightly (-1.5%) over the three months, and the number of sales and marketing employees decreased by 2.4 percent during the same period.

Timeshare payroll expenses for survey participants totaled more than \$33.8 million for resort operations employees and \$33.1 million for sales and marketing employees. However, this number only relates to survey participants responding to this particular question and does not reflect expenses for non-participants.

### Statewide Summary for Year Ended 2014

Participants in the Hawai'i timeshare survey averaged 90.5 percent occupancy in 2014 and generated \$58.6 million in taxes, of which 49 percent represented real property taxes.

Survey respondents also reported an average of 3,015 resort operations employees in 2014 with a payroll cost of \$111.9 million, and 1,675 sales and marketing employees who were paid \$120.3 million for a total payroll cost of \$232.3 million.



## O'ahu

Timeshare properties on O'ahu achieved an average occupancy of 92.1 percent in the fourth quarter, a 1.7 percentage point increase compared to the same period last year and the largest gain in occupancy among the islands. O'ahu's hotel occupancy for the same period was 82.1 percent.

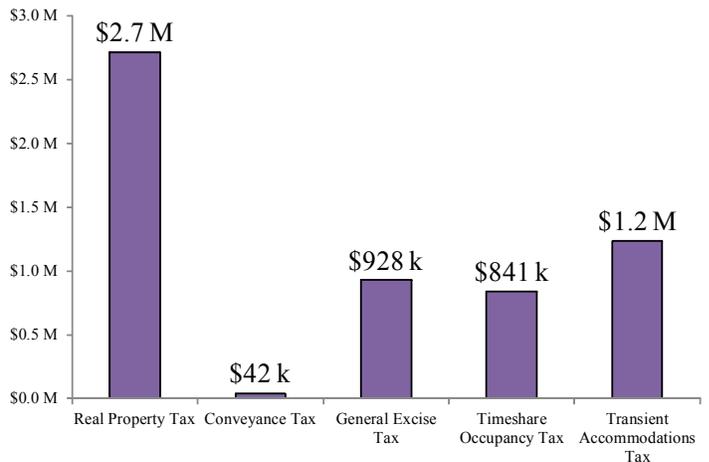
An 8.1 percent growth in timeshare visitor arrivals to O'ahu coupled with a longer average length of stay (+1.8% to 7.06 days) led to a 10.1 percent growth in visitor days for a total of 479,551 days in the fourth quarter.

Survey participants on O'ahu reported a total of \$5.8 million in taxes, including \$2.7 million representing real property taxes.

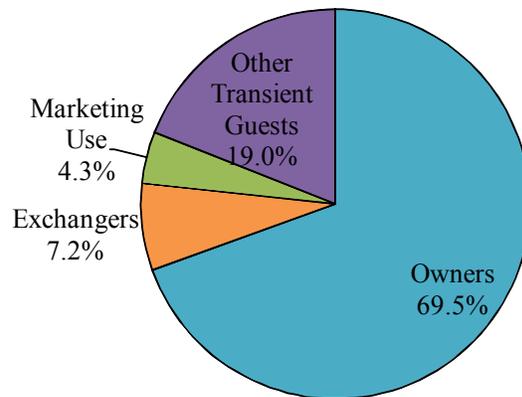
O'ahu's timeshare properties continued to report the highest percentage of owner occupied room nights among all islands (69.5%).

In the fourth quarter, O'ahu saw a slight net increase in the total number of resort operations employees (+2.2%), while the number of sales and marketing employees decreased by 2.5 percent during the same time.

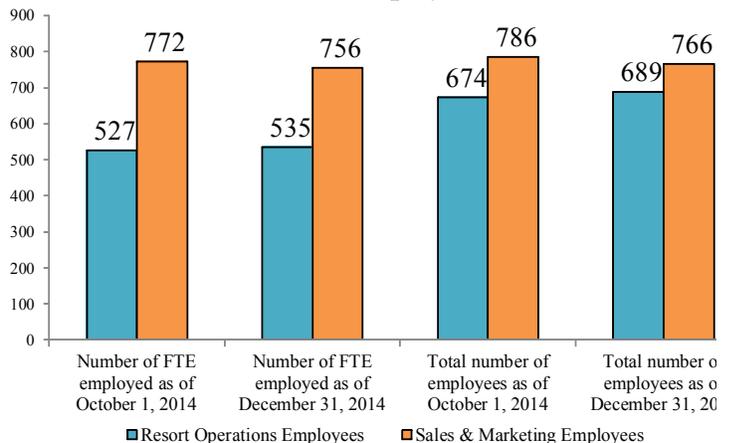
**O'ahu Taxes**



**O'ahu Mix of Occupied Room Nights**



**O'ahu Employment**



## Maui County

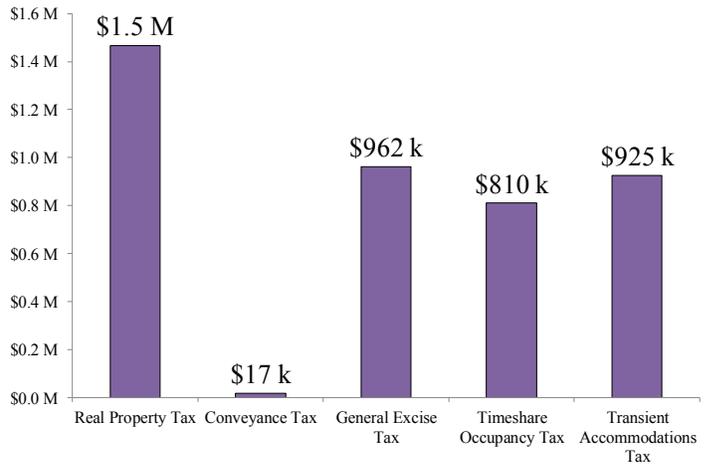
Occupancy at Maui County timeshare resorts averaged 92.0 percent in the fourth quarter (+0.9 percentage points), in line with an increase in timeshare visitor arrivals to the county (+6.9% to 68,671 visitors). In comparison, the hotel market achieved a 70.7 percent occupancy during the quarter. The increase in arrivals coupled with an increase in average length of stay (+1.1% to 9.55 days) resulted in an 8.0 percent growth in timeshare visitor days.

Timeshare units were primarily occupied by owners and exchangers, making up more than 80 percent of all timeshare visitors to the county.

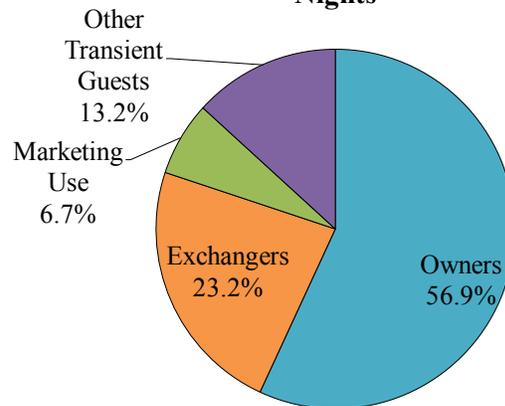
Maui County survey participants generated a total of \$4.2 million in taxes during the quarter, of which 35.1 percent represented real property taxes. We note that not all properties reported tax information for the quarter, and many left out real property taxes.

Survey participants reported a modest increase in resort operations employees (+0.3%) during the fourth quarter, but reported a net decrease in sales and marketing employees (-4.2%). The majority of these decreases occurred at large branded timeshare properties.

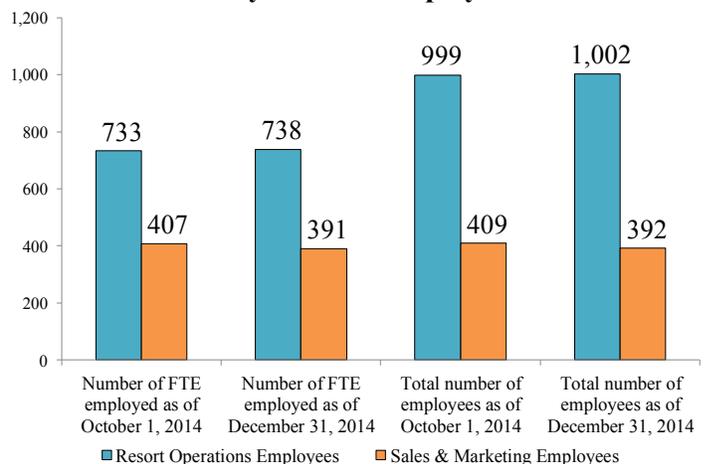
County of Maui Taxes



County of Maui Mix of Occupied Room Nights



County of Maui Employment



## Kaua'i

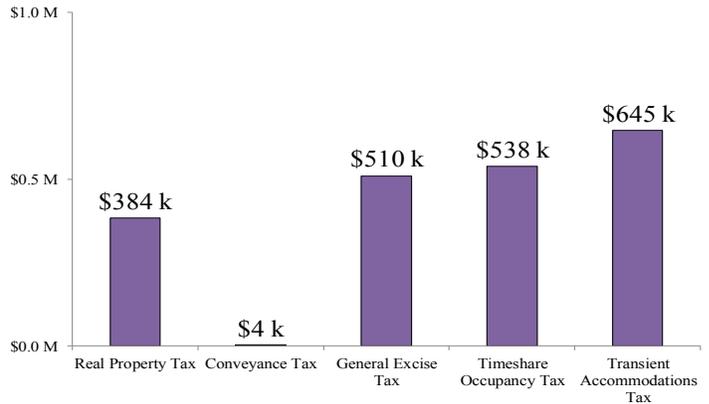
Occupancy at timeshare resorts on Kaua'i was relatively unchanged, ending the quarter at 87.8 percent occupancy (+0.5 percentage points from 87.3% in 2013), despite a decrease in Kaua'i's timeshare visitor arrivals (-0.9%) and a shorter average length of stay (-0.8% to 9.12 days). Hotels on Kaua'i were 65.9 percent occupied during the same period.

Interval owners and exchangers made up 81.2 percent of all occupied units, and Kaua'i participants continue to report the highest share of owners and exchangers as a combined group among the major Hawaiian Islands.

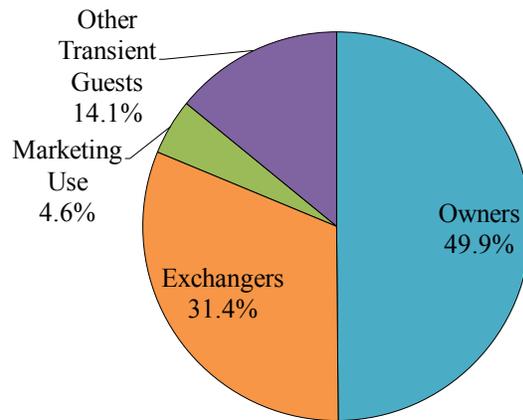
For the three months, survey participants reported \$2.8 million in paid taxes, however, we note that not all properties reported taxes for the fourth quarter, and among respondents, many did not provide real property tax data.

Kaua'i respondents reported an overall net decrease in both resort operations employees (-5.1%) and sales and marketing employees (-2.4%) during the three month period.

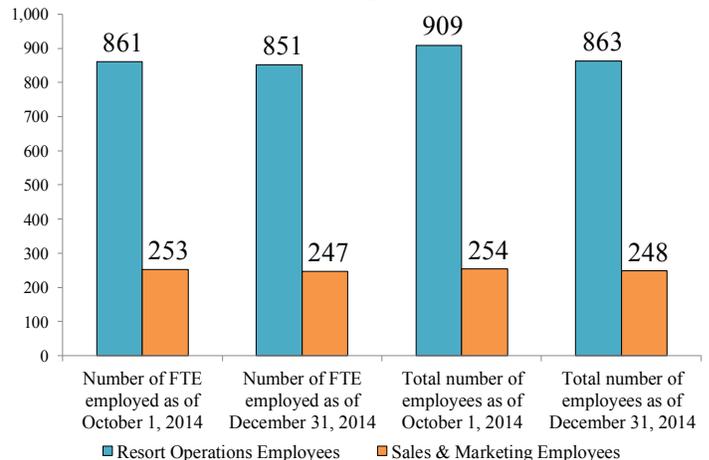
**Kaua'i Taxes**



**Kaua'i Mix of Occupied Room Nights**



**Kaua'i Employment**



## Hawai'i Island

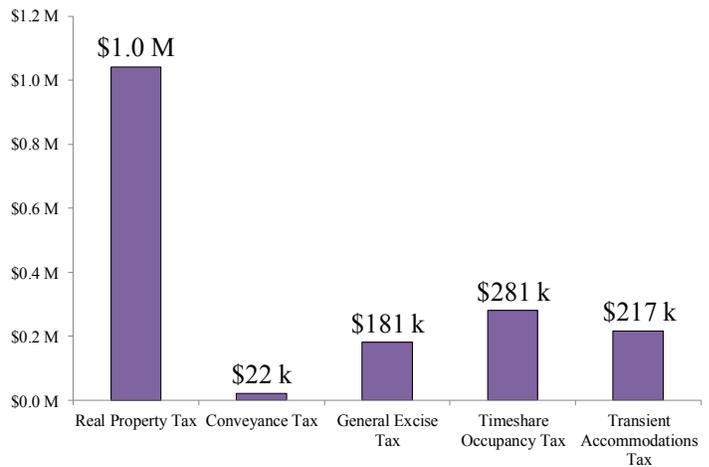
The Hawai'i Island occupancy rate rose slightly to 83.9 percent in the fourth quarter of 2014, a 0.2 percentage point increase over the previous year, in line with an increase in visitor arrivals to the island (+5.3% to 36,561 timeshare visitors) during the same time. Hotels on Hawai'i Island were 60.3 percent occupied during the three months.

The increase in visitor arrivals offset a shorter length of stay (-1.3% to 8.67 days) and ended the quarter with a 3.9 percent increase in timeshare visitor days to 317,057 days.

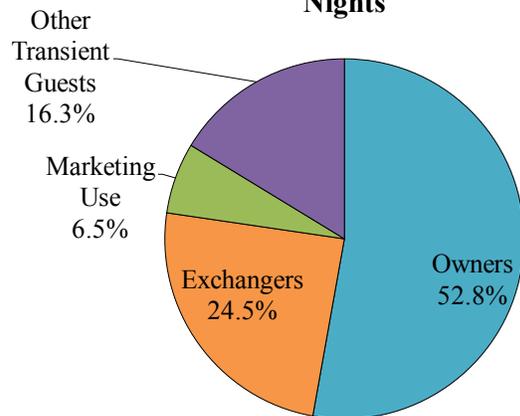
In the three months of the quarter, Hawai'i Island respondents generated a total of \$1.7 million in taxes, of which 59.8 percent represented real property taxes.

Survey participants saw a net decrease in resort operations employees (-3.2%) during the quarter, but reported a modest increase in sales and marketing employees (+0.7%) during the same period.

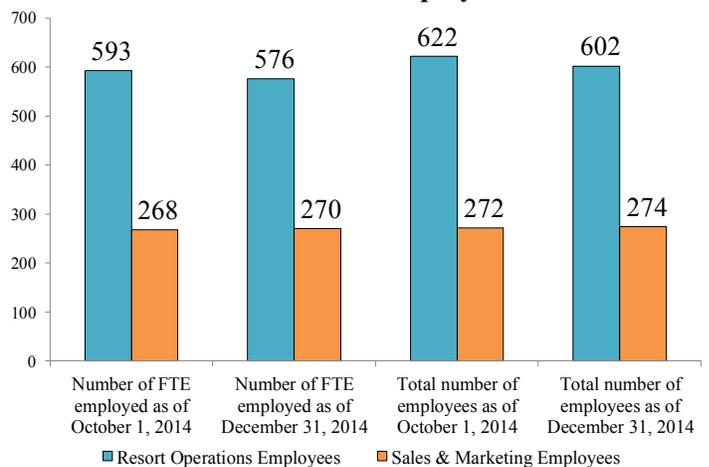
**Hawai'i Island Taxes**



**Hawai'i Island Mix of Occupied Room Nights**



**Hawai'i Island Employment**



**Hawai'i Tourism Authority**

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**Survey Overview**

Hospitality Advisors LLC was engaged by the Hawai'i Tourism Authority to conduct a recurring quarterly market performance survey of Hawai'i's timeshare industry. The purpose of the survey was to provide research and analysis in regards to the state of Hawai'i timeshare industry including the following:

- Overall Property Occupancy
- Occupancy Mix
- Taxes Generated
- Employment and Payroll

We acknowledge the American Resort Development Association ("ARDA") for their continued support and cooperation with this survey.

The information provided in this report represents the aggregated actual operating results of the participating properties. No estimations were made for non-participants. Please also note that the methodology for this survey varies from the HTA's monthly visitor statistics. While this survey is based on actual operating data, accommodation choice data reported by the HTA are self-reported and visitors who are not part of a timeshare/exchange program may possibly select "hotel" or "condominium" as their accommodation type. In addition, HTA does not report the number of nights spent at each accommodation type.

**Survey Participation**

Participation rates in the statewide timeshare survey was 74.5 percent of registered timeshare units statewide, which represents 51 properties and 7,621 units.

Hospitality Advisors LLC is Hawai'i's leading consulting firm specializing in strategic, market and economic planning for Hawai'i's hotel, tourism and real estate industry. The firm is led by Joseph M. Toy, President & CEO, who has over 30 years in management consulting and public accounting on an international basis, including serving as the Director and Practice Leader for PricewaterhouseCoopers' Hospitality & Leisure consulting practice from Hawai'i and the Asia-Pacific region. Mr. Toy also previously held senior positions in the Honolulu offices of PKF and KPMG. His extensive international experience includes a two year assignment in the Stockholm, Sweden office of Price Waterhouse & Co., as well as assignments in Brazil, England, France, Australia, China, the Caribbean, Hong Kong, Philippines, India, Taiwan, Korea, Singapore, Thailand, Guam, Saipan, Samoa, Tonga, and the Cook Islands. Mr. Toy has substantial experience in strategic planning, real estate valuation, transaction support, market and economic studies, lender services, operational and management reviews, financial analysis, litigation, market feasibility studies, tourism studies, and government consulting at the local, state and federal levels, and has also served on numerous occasions as a Court-appointed Receiver and Foreclosure Commissioner for hotels, golf courses and resort mixed-use properties. Mr. Toy holds a Masters in Science from the University of Hawai'i School of Travel Industry Management and earned an undergraduate degree in Accounting and International Finance from the University of Wisconsin-Madison. Mr. Toy is a member of the prestigious International Society of Hospitality Consultants.

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