



State of the Timeshare Industry, *Circa 2017* ...A *B2B Whitepaper*

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State of the Industry, Spring 2017

Sharon Scott (Wilson), RRP, addressed attendees at the Spring 2017 C.A.R.E.* Conference, held in Virginia Beach. The following is a series of slides from her PowerPoint presentation in which she described the state of the timeshare/vacation ownership resort industry. In her unique position as publisher of Resort Trades – a 30-year-old news journal mailed to every resort in the U.S. every month and available digitally – she has been able to draw a number of conclusions about the current condition of the “faces & places” in today’s industry. In her remarks, she covers the following points in a broad-brush manner:

- Who are the major developers in timeshare today?
- Of all 1560 timeshare resorts in the U.S., which are in active sales?
- What are the opportunities for entrepreneurs in today’s industry?
- And more....

*C.A.R.E. (Cooperative Association of Resort Exchangers) is a trade association established in 1985 by representatives of timeshare resorts who found that by exchanging vacation inventory among themselves, they were better able to satisfy their owners with increased vacation opportunities. Today, member companies are also able to utilize inventory and generate revenue through wholesale rentals while continuing to offer expanded exchange and fulfillment options.

Free Resources From Us

First, however, a brief review of free services available to industry professionals:

- Free subscription to Resort Trades
 - Stay current with the industry.
 - Educational articles.
- Free online eNewsletter
- Educational eBooks
- Outlet for your editorial
 - Send releases to News@ResortTrades.com
 - Query me for your article ideas:
SharonINK@TheTrades.com; 310-923-1269
- Make recommendations for “Top Team Members” and CEP Award nominations (available in Fall).

Consolidation is Major Topic During the 2017 ARDA World

As moderator of an educational session held at the convention entitled, “Industry Consolidation: Are We There Yet?”, John Melicharek Jr., Esq., a partner of Baker & Hostetler, gave a short-list of companies that he recalled having been acquired over the last decade or so.

Escapes

Sunterra

Tempest

Gold Key

Island One


Silverleaf

Shell

SPM & Defender

Fairfield

VRI/Trading Places




“Currently, we’re at \$8 billion in timeshare sales. The top three are doing 50 percent of that!”

--John Alvarez, VP of acquisitions for
Holiday Inn Club Vacations



“There will be less competition, but it will be stronger and better capitalized.”

--Jason Shroff, whose company, Capital Resorts Group, recently acquired SPM Resorts and Defender Resorts



Some say there will soon be only two or three major developers!

Major Timeshare Developers in Today's Market

GROWING, GROWING, GROWING (for now, anyway):

1. Berkley Group
2. Bluegreen Corporation
3. Diamond Resorts International
4. Disney Vacation Club
5. Hilton Grand Vacations Company
6. Holiday Inn Club Vacations
7. Hyatt Hotels Corporation
8. Marriott Vacation Club International
9. Westgate Resorts
10. Wyndham Worldwide

The Berkley Group

- Branded as Vacation Village Resorts and Affiliates
- Headquartered in Fort Lauderdale, Florida
- Manages more than 50 resorts
- 450,000+ timeshare owners at flagged resorts
- Executive Team: Marc Landau, Rebecca A. Foster, Bruce J. Plansky, Larry Hierholzer

Berkley Properties

- Canada House Beach Club – Pompano Beach, FL
- The Cliffs at Peace Canyon – Las Vegas, NV
- Grandview at Las Vegas – Las Vegas, NV
- Lifetime of Vacations Resort at Grand Lake Resort – Kissimmee, FL
- Mizner Place at Weston Town Center – Weston, FL
- Palm Beach Shores Resort and Vacation Villas – Palm Beach Shores, FL
- Silver Seas – Fort Lauderdale, FL
- Surfsider Resort and Tennis Club – Pompano Beach, FL
- Vacation Village at Bonaventure – Fort Lauderdale, FL
- Vacation Village at Parkway – Kissimmee, FL
- Vacation Village at Weston – Weston, FL
- Vacation Village in the Berkshires – Hancock, MA
- Villas at Fortune Place – Kissimmee, FL
- Williamsburg Plantation – Williamsburg, VA

Bluegreen Corporation

- Bluegreen Vacation Club®, points-based, deeded vacation ownership
- 195,000+ owners
- Over 60 Bluegreen resorts
- 40+ destinations across continental U.S. and the Caribbean
- Executive Team: David L. Pontius, David A. Bidgood, Anthony M. Puleo, Ahmad M. Wardak, Susan J. Saturday, Chanse Rivera, Michael D. Kaminer and Brenda Hodges

BBX 2017 First Quarter

BBX Capital Corporation, Owner of Bluegreen Corporation, Reported Positive First Quarter 2017 Compared to First Quarter 2016:

- Total consolidated revenues of \$171.8 million vs. \$165.7 million
- Net income to common shareholders of \$17.9 million vs. \$5.5 million
- Diluted earnings per share of \$0.17 vs. \$0.06
- Income before income taxes of \$33.7 million vs. \$12.5 million
- Net gains on cancellation of debt \$6.9 million
- SEC litigation reimbursements from insurance carrier of \$5.0 million
- Reversal in 2017 of previously paid SEC civil penalty of \$4.6 million
- “Free cash flow” (cash flow from operating activities less capital expenditures) was a cash outflow of \$5.2 million compared to a cash inflow of \$15.0 million
- As of March 31, 2017, BBX Capital had total consolidated assets of \$1.4 billion, shareholders’ equity of \$477.9 million, and total consolidated equity of \$521.6 million.

Diamond Resorts

- CEO Mike Flaskey (Exclusive Profile appearing in June 2017 edition of Resort Trades)
- Chief Administrative Officer Ken Siegel
- 370+ Destinations
- 35 countries throughout the continental United States, Hawaii, Canada, Mexico, the Caribbean, South America, Central America, Europe, Asia, Australasia and Africa,
- Diamond Clarity--consumer pledge
- Events of a Lifetime--experiential events & vacation enhancement

Disney Vacation Club

- Disney Vacation Club Resorts
 - Nine Walt Disney World locations
 - Vero Beach Resort
 - Hilton Head Island
 - Aulani
 - Grand Californian Hotel.
- Disney Destinations
- Disney Cruise Line
- Adventures by Disney

Disney Locations

- Beyond Disney – Around the World
- Aulani, Disney Vacation Club Villas, Ko Olina, Hawai`i
- Bay Lake Tower at Disney's Contemporary Resort
- Boulder Ridge Villas at Disney's Wilderness Lodge
- Copper Creek Villas & Cabins at Disney's Wilderness Lodge
- Disney's Animal Kingdom Villas – Jambo House
- Disney's Animal Kingdom Villas – Kidani Village
- Disney's Beach Club Villas
- Disney's BoardWalk Villas
- Disney's Hilton Head Island Resort
- Disney's Old Key West Resort
- Disney's Polynesian Villas & Bungalows
- Disney's Saratoga Springs Resort & Spa
- Disney's Vero Beach Resort
- The Villas at Disney's Grand Californian Hotel & Spa
- The Villas at Disney's Grand Floridian Resort & Spa

Hilton Grand Vacations

- Hilton Grand Vacations Club
 - California, Colorado, Florida, Hawaii, Nevada, South Carolina and Utah, and internationally in Italy and Scotland
- Hilton Club -- urban timeshare
 - Midtown Manhattan, W57th Street's "Billionaires' Row" and Georgetown in Washington, D.C.

Hilton Grand Vacations

- Executive Team
 - Mark Wang, current ARDA Chairman
 - Jim Mikolaichik, Kevin Butler, Charles Corbin, Dinner DeLorenzo, David Desforges, Barbara Hollkamp, Rich Jackson, Stan Soroka and Hannah Vazzana

NYSE/HGV -- May 5, 2017, was \$35.99

- 48 developed and 26 affiliate resorts worldwide
 - Hawaii, Manhattan, Orlando, Las Vegas, Miami Beach, Carlsbad, Breckenridge, Park City, Myrtle Beach, Hilton Head, in picturesque Tuscany, and throughout the Highlands of Scotland
- 270,000 Club Members
- points-based reservation and exchange
 - Hilton Grand Vacations Club
 - Hilton Honors®
 - ClubPartner Perks -- exchange and experiential travel opportunities

Holiday Inn Club Vacations

- 26 member resorts totaling more than 7,400 villas
- 340,000 owners and growing
- 100 million IHG® Rewards Club members worldwide
- 754,265 rooms in over 5,000 IHG hotels in nearly 100 countries around the world

HICV Executive Team

- Spence Wilson, Chairman of the Board & recipient of the ARDA Circle of Excellence (ACE) Lifetime Achievement Award in 2007
- Don Harrill (past Chairman of ARDA BOD)
- Thomas Nelson, Sonya Dixon, Brian Lower, John Sutherland, Patrick Connolly, Barbara Wilcox, Michael Thompson, Steve Pflugner and Stacey Sutherland

Hyatt Hotels Corporation

- Hyatt Residence Club
 - Hyatt Gold Passport – internal exchange
 - Interval International
- Hyatt Residence Club locations
 - Sedona, Arizona; Aspen, Avon and Beaver Creek, Colorado; Bonita Springs, Key West and Siesta Key Florida; Carmel and Truckee, California, Dorado Puerto Rico an; Incline Village, Nevada; San Antonio, Texas and Lahaina, Hawaii

Hyatt Residence Club

- Locations
 - Arizona, Colorado, Florida, California, Puerto Rico, Nevada, Texas and Hawaii
- 1994: Hyatt Introduces Hyatt Vacation Club
- 2009: Rebranded as Hyatt Residence Club
- 2014: Hyatt Residence Club Acquired by Interval Leisure Group

Interval Leisure Group

- **ILG Executive Team**
 - Craig M. Nash, Jeanette E. Marbert, William L. Harvey, John A. Galea, Victoria J. Kincke,
- **John M. Burlingame -- President, Hyatt Vacation Ownership**

Marriott Vacations Worldwide

- Marriott Vacation Club
- The Ritz-Carlton Destination Club
- Grand Residences by Marriott
- 1984, Marriott Vacations Worldwide enters timeshare industry
- 2010, introduced points-based program
- 2011, spins off from Marriott International, Inc. with reported 400,000 owners
- 55 resorts, more than 12,300 timeshare villas and other accommodations throughout the U.S., Caribbean, Europe and Asia.

Marriott Executive Team

- Stephen P Weisz (past Chairman of ARDA)
- R. Lee Cunningham, Clifford M. Delorey, John E. Geller, Jr., James H. Hunter, IV, Lizabeth Kane-Hanan, Brian E. Miller, Dwight D. Smith and Michael Yonker

Westgate Resorts

- Parent company -- Central Florida Investments, Inc.
- Locations in Florida, Utah, Tennessee, Nevada, Virginia, Missouri, Mississippi and South Carolina
- 1970 - David A. Siegel opens office in his family garage
- 2014 article said: 400,000 Westgate timeshare owners, selling more than 60,000 vacation packages every year

Westgate Executive Team & Some Personal Stuff

- Executive team -- Jim Gissy, Barry Siegel, Tom Dugan, Mark Waltrip and Michael Marder
- 2015– David’s stepdaughter, 18-year-old Victoria Siegel, overdosed
- Founding of victoriasiegelfoundation.org shortly thereafter
- He has made it his mission to speak to high school students (Twitter account is @DASDavidSiegel)

Wyndham Worldwide

- Wyndham Vacation Ownership
- Club Wyndham
- WorldMark by Wyndham
- Club Wyndham Asia
- WorldMark South Pacific Club by Wyndham
- Shell Vacations Club
- Margaritaville Vacation Club by Wyndham
- Wyndham Club Brasil
- 900,000 owner families

Wyndham Executive Team

- Executive team, Wyndham Worldwide
 - Stephen P. Holmes, Geoff Ballotti, Gail Mandel, Thomas G. Conforti, Mary R. Falvey and Scott G. McLester
- NYSE/WYN 2017 first quarter revenues were \$1.3 billion, up 1% compared with the prior year period.
- Vacation ownership revenues were \$648 million in the first quarter of 2017, compared with \$641 million in the first quarter of 2016.

Mid-tier Players in Sales*

- Amber Group
- Breckenridge Grand Vacations
- Bushkill Group, Inc.
- Divi Resorts
- Escapia!
- FantaSea Resorts
- Festiva Development Group
- Global Connections, Inc.
- Grand Pacific Resorts
- InnSeason Resorts
- King's Creek Plantation, LLC
- QM Resorts
- Raintree Resorts International, LLC Inc.
- River Run Company
- Spinnaker Resorts, Inc.
- Star Island Development Corp.
- Timescape Resorts, LLC
- Vistana Signature Experiences
- Welk Resorts

* Please allow me a brief disclaimer for any shortcomings, errors or inaccuracies appearing within this list of smaller developers. I drew from the ARDA membership roster and my often faulty memory.

The Legacy Resorts

More than 70 percent of the resorts in the U.S. are older than 25 years.

– 2016 AIF State of the Industry Report

For our purposes, let's define "legacy" properties as follows:

- No longer under developer control
- No onsite sales and marketing talent
- Either individually HOA-managed or multisite management company
- Average 84 units each
- Principally of studio and one-bedroom units
- Use types range from fixed unit/fixed week to more flexible regimens
- Consist of a real estate interest

Legacy Resort Challenges

- Many have serious delinquency issues.
- Many owners' annual maintenance fees are **years** in arrears.
- Several must decide whether to invest in reviving project or winding down.
- Often have under-qualified Board members

Mature Properties... Challenges

- Infrastructure – Aging structural issues include exterior and interior issues and range from outdated plumbing and wiring to non-ADA compliance.
- Owners are aging out, resulting in increased delinquencies of HOA annual fees.
- Future buyers are millennials who are resistant to buying perpetual vacation ownership property and reluctant to sit for a 90-minute (or more) presentation.
- Limited exit options, typically there is no onsite sales and marketing entity, although there might be a relationship with a third-party provider.
- There's a lack of expertise in promoting and operating an effective rental program.
- Relief companies 'sell' owners an out by transferring deeds into a LLC that does not pay HOA annual fees and which is allowed to fail.
- Many resorts have tapped into their reserves to cover operational costs. Others may not have properly budgeted for reserves at all.

What Are Some Opportunities?

Despite the threat of damage to the entire timeshare industry from languishing legacy resorts, there is opportunity out there. And yes, there are fewer developers available to make large-scale purchases of, say, software, interior design, etc.; still other types of vendors can carve out a niche for themselves. Here are a few ideas that come to mind:

- Travel & vacation companies
 - Millennials are key market
 - SEO & social media
- Companies offering services to management
 - Marketing & lead generation
 - Web design, SEO & social media
 - Suppliers & designers
- Suppliers of goods & services
 - Professionals (accountants, attorneys, etc.)
 - Housewares, housekeeping services
 - Lenders, insurance, title companies

Trending: Opportunities for Small & Midsized Companies

Permit me to make a bold prediction:

- Improvements in economy will drive growth & revenue enhancement
- Spirit of optimism motivates families to enhance quality of life.
- Creative entrepreneurs are going to be able to build significant wealth.
- Proactive business environment will be similar to recovery after Great Depression.

Recovery After Depression of 1939-mid-40s

After lowering taxes,* balancing the budget and peeling back regulations to create freer markets, unemployment was reduced to 3.9 percent in 1946.


– *According to Burton Folsom, Jr., professor of history at Hillsdale College and co-author of FDR Goes to War.*

** In 1945 and 1946 Congress repealed the excess-profits tax, cut the corporate tax to a maximum 38 percent, and cut the top income tax rate to 86 percent. In 1948 Congress sliced the top marginal rate further, to 82 percent.*

Building Your Business

It's good news/bad news for the small and mid-sized business owner: You can hope to gain increased wealth over the next few years. But on the other hand, so can your competitors! The following steps will help you to increase revenues and stay relevant in the new, emerging environment:

- To compete with increasing competition, advertising will be essential to maintaining your position.
 - Use SEO/Social Media for a consumer audience
 - To reach B2B resort operators, only *Resort Trades* reaches Every Resort/Every Month.
 - Look at advertising in *Timesharing Today* for owners.
- PR – news releases, blogging, feature articles in key publications
- SEO & social media, particularly for consumer audience
- Networking – attendance at C.A.R.E. conferences

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- Send news items to News@ResortTrades.com
 - Contact Marla Carroll (931-484-8819; Marla@TheTrades.com) to request advertising information for:
 - Display Advertising
 - Business Directory
 - Classified
 - Send ideas for articles you'd like to see to me: SharonINK@TheTrades.com.