



Hawai'i Timeshare Quarterly July - September 2014

Statewide Timeshare Performance & Taxes

Hawai'i timeshare resort survey respondents, representing 76.9 percent of the state's timeshare inventory, averaged 90.6 percent occupancy in the third quarter of 2014, 1.3 percentage points higher than the same period last year. Timeshare resorts in Hawai'i have historically outperformed the hotel industry in occupancy as hotels averaged 78.7 percent occupancy during the same period.

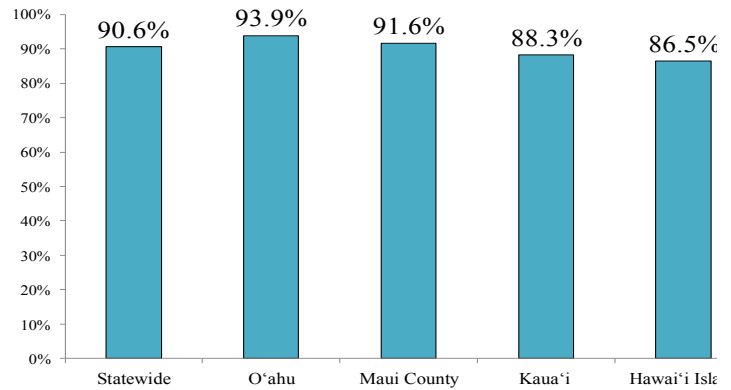
The timeshare visitor market represented 9.7 percent of all third-quarter visitors to Hawai'i (203,745 visitors), down 3.3 percent from last year, as reported by the Hawai'i Tourism Authority ("HTA"). Of these timeshare visitors, 77.4 percent stayed exclusively at timeshare resorts during their trip to Hawai'i.

There were more timeshare visitors to Maui County (+0.9%) in the third quarter, but fewer timeshare visitors on O'ahu (-7.9%), Kaua'i (-4.4%), and Hawai'i Island (-4.6%), compared to the same period last year.

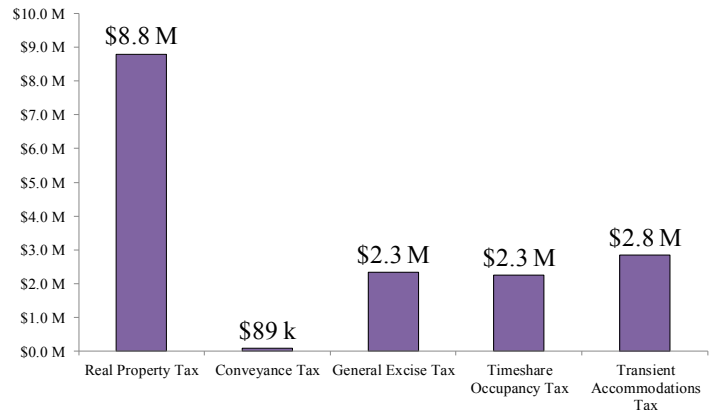
Survey participants across the state generated a total of \$16.3 million in taxes in the third quarter, including real property tax, conveyance tax, general excise tax, transient occupancy tax ("TOT") and transient accommodations tax ("TAT"). Real property taxes accounted for \$8.8 million or 53.9 percent of statewide tax contributions. In most cases, conveyance taxes are paid by timeshare owners and not tracked at the property level. However, the TAT is paid by timeshare operators for transient rentals.

Interval owners and exchangers (those who participate in timeshare exchange programs) accounted for more than three quarters (75.5 percent) of all occupied room nights in the third quarter. Transient rentals, which also includes additional room nights purchased by timeshare owners and exchangers beyond their allotted timeshare ownership stay, represented 18.4 percent of total occupied room nights statewide.

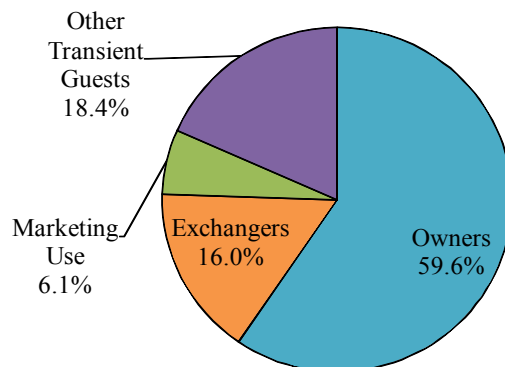
Timeshare Occupancy by Island



Mix of Taxes Paid Statewide



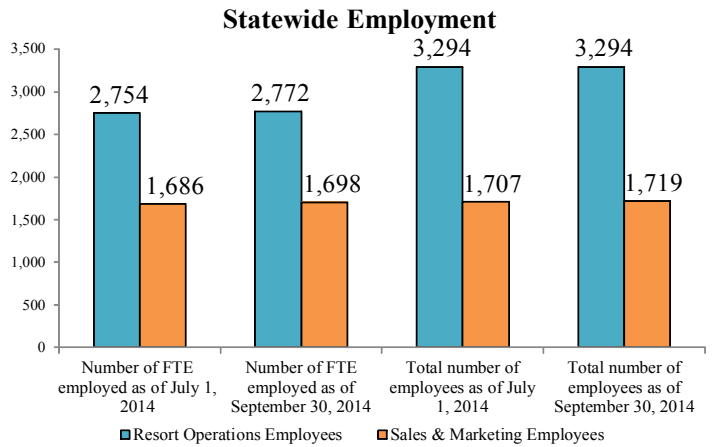
Statewide Mix of Occupied Room Nights



Statewide Employment and Payroll

For the 76.9 percent of statewide timeshare units responding to the survey, the number of resort operations employees in the state remained stable during the third quarter (+0.0%), while there was an overall net increase in the total number of sales and marketing employees (+0.7%) for the same period.

Timeshare payroll expenses for survey participants totaled more than \$28.1 million for resort operations employees and \$29.1 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.



O'ahu

Occupancy on O'ahu averaged an impressive 93.9 percent in the third quarter, 3.3 percentage points higher than last year. O'ahu's gain in occupancy was the larger than all other islands in the third quarter and a record high occupancy for O'ahu since the commencement of this survey. O'ahu outperformed all other islands despite a 7.9 percent decrease in timeshare visitor arrivals to the island for the same three months.

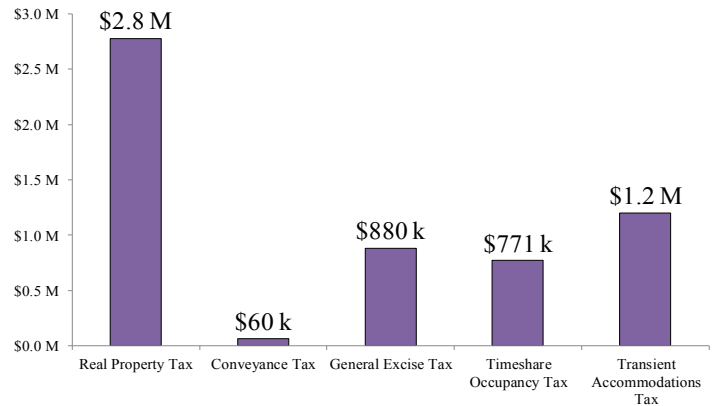
During the quarter, O'ahu saw an increase in average length of stay (+1.3% to 6.89 days), which however did not offset the drop in timeshare visitor arrivals, and instead led to a 6.7 percent decrease in total visitor days during the third quarter.

Survey participants on O'ahu reported a total of \$5.7 million in taxes over the three months, with \$2.8 million representing real property taxes.

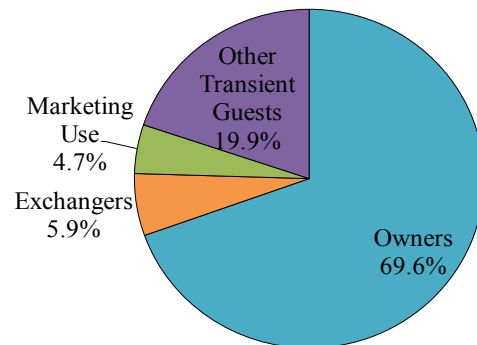
O'ahu respondents reported the highest percentage of owner occupied room night used among all islands (69.6%) for the fourth consecutive quarter.

When looking at the end of the quarter compared to the beginning of the quarter, the island saw a slight net increase in sales and marketing employees (+1.6%) while the number of resort operations employees decreased (-2.5%).

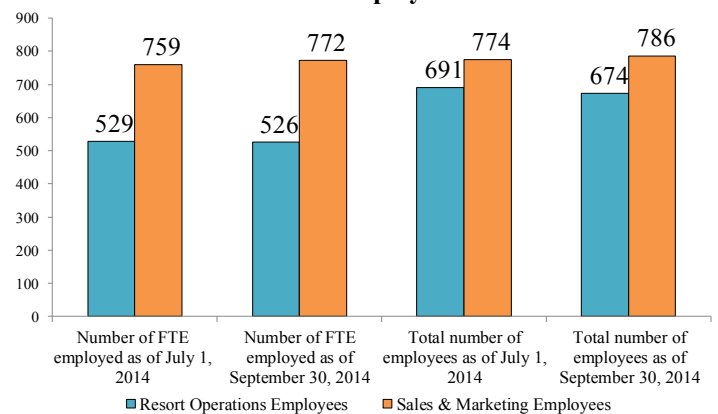
O'ahu Taxes



O'ahu Mix of Occupied Room Nights



O'ahu Employment



Maui County

Maui County's timeshare resorts averaged a 91.6 percent occupancy during the three months, 1.8 percentage points more occupied than the same period last year, in line with a 0.9 percent increase in timeshare visitor arrivals during the third quarter.

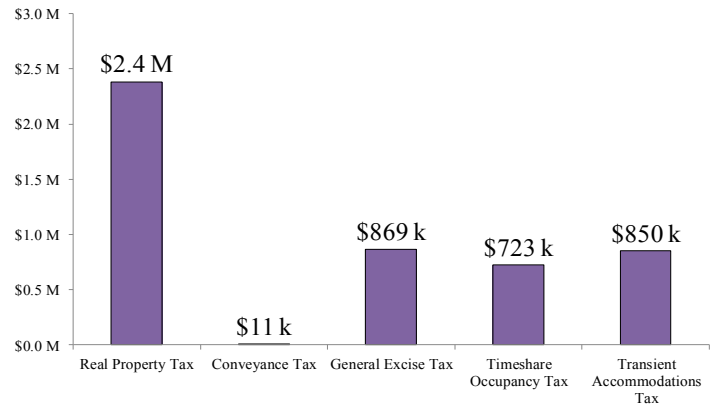
The average length of stay in Maui County during the quarter was 8.90 days (-0.4%), similar to the same period last year.

Timeshare units were primarily occupied by owners and exchangers, making up 76.5 percent of all visitors to the county.

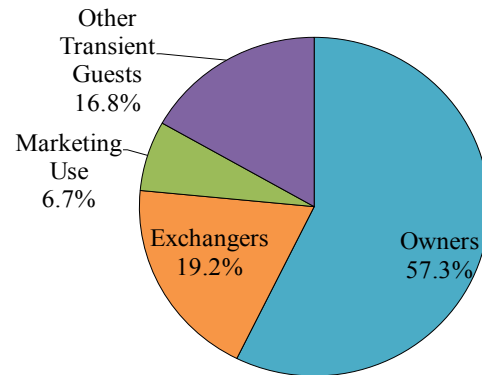
Taxes for the three months totaled \$4.8 million, of which \$2.4 million represented real property taxes.

Maui county survey participants reported a modest increase in resort operations employees (+0.2%) during the quarter, but saw a net decrease in sales and marketing employees (-3.6 %). The majority of these decreases occurred at large branded timeshare properties.

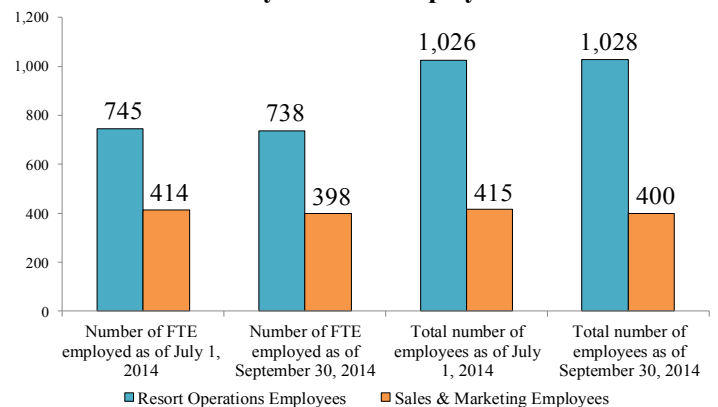
County of Maui Taxes



County of Maui Mix of Occupied Room Nights



County of Maui Employment



Kaua'i

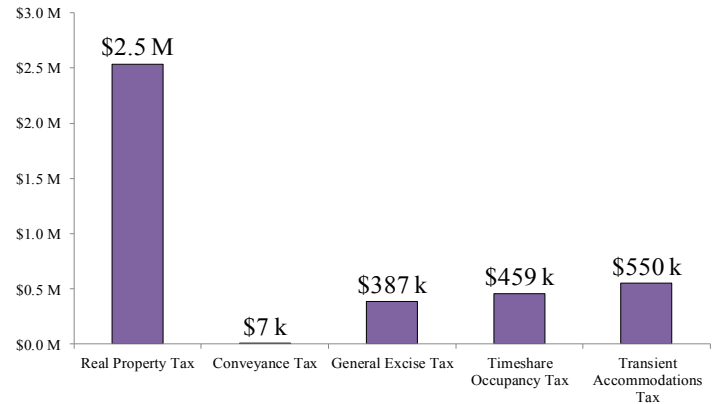
Kaua'i was the only island to see a dip in occupancy in the third quarter falling to 88.3 percent (-2.9 percentage points), in line with a 4.4 percent decrease in visitor arrivals by air for timeshare users, as reported by HTA. The decrease in visitor arrivals combined with a 1.4 percent drop in average length of stay led to an overall decrease in timeshare visitor days (-5.8%) during the quarter.

Interval owners and exchangers made up 76.6 percent of all occupied units on the island of Kaua'i. Kaua'i participants reported the highest share of owners and exchangers as a combined group among the major Hawaiian Islands for the past four quarters.

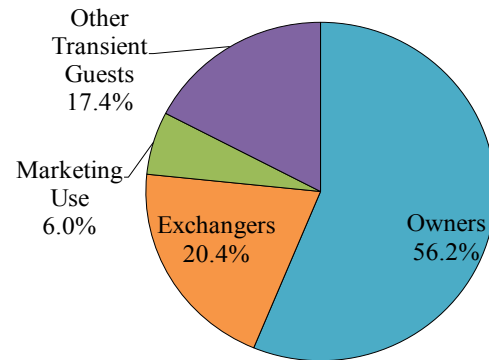
Survey participants reported \$3.9 million in taxes during the three months, with nearly 65 percent or \$2.5 million representing real property taxes.

Kaua'i participants saw a net decrease in resort operations employees (-1.4%) during the quarter, but reported a net increase in sales and marketing employees (+3.2%) during the same period.

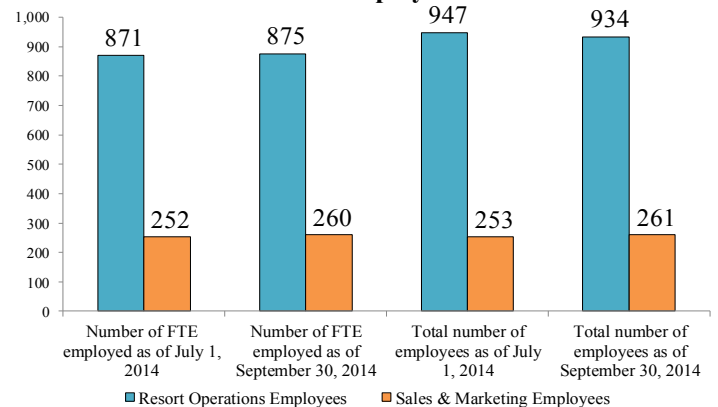
Kaua'i Taxes



Kaua'i Mix of Occupied Room Nights



Kaua'i Employment



Hawai'i Island

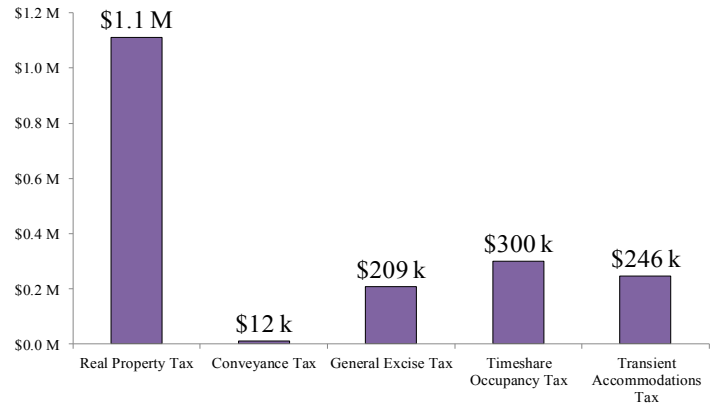
Occupancy for Hawai'i Island timeshare resorts grew 0.8 percentage points to 86.5 percent in the third quarter, despite a 4.6 percent decline in timeshare visitor arrivals to the island. The average length of stay was 8.04 days, up from 7.93 days during the same period last year.

Hawai'i Island respondents reported the smallest share of timeshare unit usage by interval owners (49.1%) among all major Hawaiian Islands.

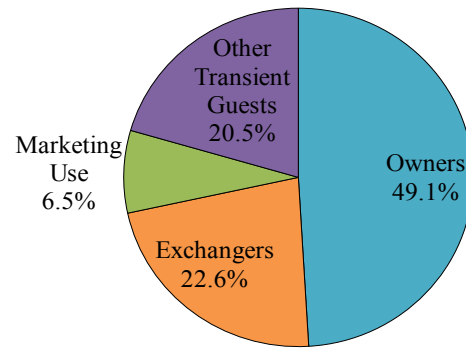
In the third quarter, Hawai'i Island survey participants generated a total of \$1.9 million in taxes, of which 56.2 percent represented real property taxes.

The island's employment changed for the better in the third quarter; participants reported overall net increases in both resort operations employees (+4.4%) as well as sales and marketing employees (+2.6%).

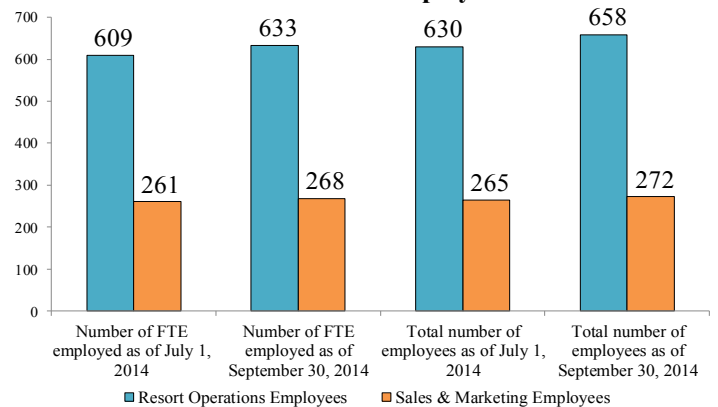
Hawai'i Island Taxes



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 76.9 percent of registered timeshare units statewide, which represents 52 properties and 7,747 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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