



# Hawai'i Timeshare Quarterly July - September 2020

## Statewide Timeshare Performance & Taxes

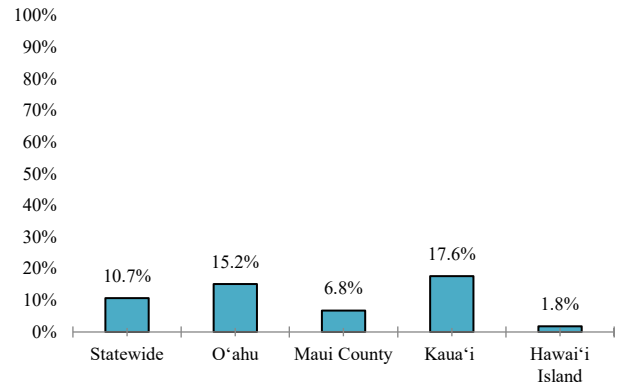
During the third quarter of 2020, Hawai'i's timeshare industry achieved an occupancy rate of 10.7%, compared with the 92.1% occupancy rate for the same period during 2019, a decrease of 81.4 percentage points.

The COVID-19 pandemic and resulting mandatory 14-day quarantine for arriving out-of-state travelers drastically reduced travel to Hawai'i during the quarter. A handful of timeshare resorts on O'ahu, Maui and Kaua'i that remained open accounted for the majority of occupancy during the quarter. The statewide hotel and condominium hotel occupancy averaged 20.7% during the third quarter, according to STR, Inc. data reported by the Hawai'i Tourism Authority ("HTA").

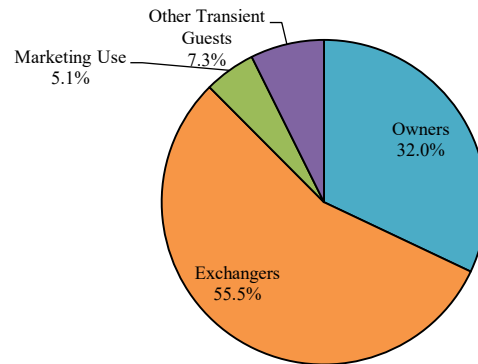
In addition to a substantial decrease in the number of visitors staying in Hawai'i's timeshare resorts, the mix of occupancy during the quarter also differed from the historic mix. Exchangers (timeshare owners who participate in a timeshare exchange program) represented the majority of the occupied room nights during the quarter, 55.5%. During the same period in 2019, Exchange use accounted for just 15.5% of timeshare occupied room nights in the state. Owners using their timeshare accounted for 32.0% of occupied room nights in Hawai'i's timeshare resorts during the third quarter of 2020, compared with 56.7% reported for Q3 2019.

The share of Marketing and Transient use was lower than the prior year but substantially higher than Q2 2020, the first full quarter of the COVID-19 era. During Q2 2020 together they represented 0.5% of occupied room nights. During Q3 2020, Marketing use represented 5.1% of occupied room nights, well below prior year levels but an indication that timeshare operators started to resume some marketing activity during the quarter. Transient rental, which also includes rental to owners and exchangers beyond their allotted timeshare stay, accounted for 7.3% of occupied room nights during the quarter. This was

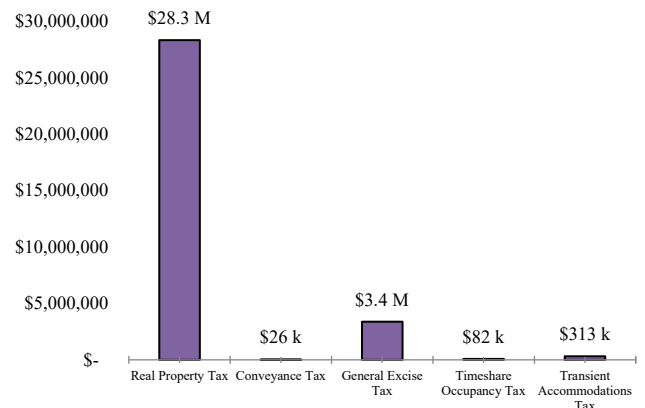
Timeshare Occupancy by Island



Statewide Mix of Occupied Room Nights



Mix of Taxes Paid Statewide



also less than half the amount of transient use reported during pre-COVID quarters.

According to HTA data, 290 visitors to the state chose to stay at timeshare resort for all or part of their stay during the third quarter. This represented a 99.9% decrease compared with the 225,847 timeshare visitor arrivals during the third quarter of 2019. We note that because of the precipitous decrease in visitor arrivals, breakdowns of the timeshare visitor data are likely not statistically meaningful due to the small sample sizes.

Timeshare visitors had an average length of stay of 28.5 days during the third quarter, compared with the 9.3-day average stay during Q3 2019, according to HTA data. The length of stay during Q2 was also substantially longer than during pre-COVID quarters. It appears that Hawai'i timeshare visitors have been reserving longer-than-average stays and spending the mandatory 14-day quarantine in their timeshare units, which typically have kitchens, before enjoying post-quarantine vacation time outside of their timeshare resort.

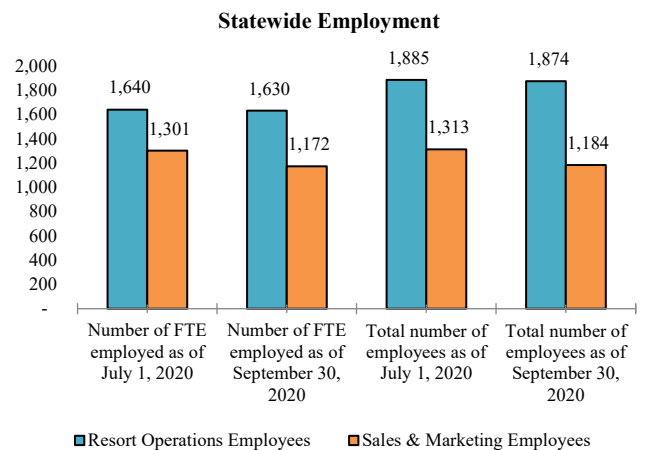
During the third quarter, participating timeshare properties generated a total of \$32.1 million in state and county taxes, including real property tax, general excise tax, timeshare occupancy tax ("TOT"), transient accommodations tax ("TAT"), and conveyance tax. Real property taxes accounted for the largest share of taxes during the quarter, a total of \$28.3 million or 88.2% of the total. All timeshare resorts, whether operational or temporarily closed, continue to be subject to real property taxes. General Excise Tax accounted for a \$3.4 million or 10.5% of the total. We note that some respondents chose not to report certain taxes for this survey.

## Statewide Employment & Payroll

The number of resort operations employees at the timeshare resorts that provided employment survey data totaled 1,874 at the end of the quarter, a 0.6% decrease from the employee count at the beginning of the quarter. We note that pre-COVID, the number of operations employees at Hawai'i's timeshare resorts typically averaged about 3,000.

At the end of the quarter, timeshare resorts reported 1,184 sales and marketing employees, a 9.8% decrease from the count at the start of the third quarter. The Q3 2019 sales and marketing employee count for survey respondents was about 1,600.

For the third quarter of 2020, statewide payroll expenses for timeshare survey participants that provided data totaled \$10.6 million, of which resort operations payroll contributed \$6.6 million and sales and marketing payroll \$4.0 million. For comparison, the total payroll amount reported by survey respondents for the Q3 2019 study was \$56.9 million. (We note that each quarterly report is based on data provided by Hawai'i timeshare properties for the respective quarter and that there is some variation in the composition of the sample from year to year.)



## O'ahu

In the third quarter of 2020, timeshare resorts on O'ahu averaged 15.2% occupancy, compared with 95.8% occupancy during Q3 of the prior year. During the same period, O'ahu's hotel occupancy averaged 23.9%.

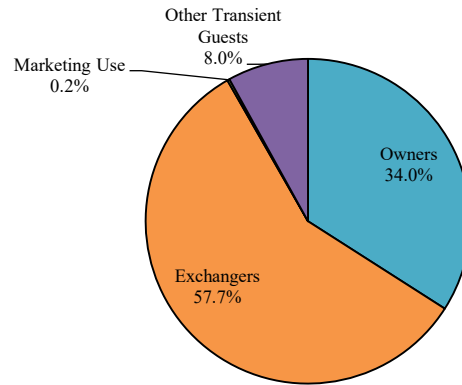
Owner occupied room nights represented 34.0% of total occupied room nights at O'ahu's timeshare resorts during the third quarter. Exchange use represented 57.7% of occupied room nights at O'ahu timeshare resorts, substantially higher than the 9.4% share of occupied room nights reported for Q3 2019. Other transient guests contributed 8.0% of the occupied room nights at O'ahu timeshare properties, while Marketing use represented 0.2% of occupied room nights, the lowest share among the counties during the quarter.

According to the HTA, O'ahu welcomed 102 timeshare visitors during the third quarter, compared with 88,581 timeshare visitors during Q3 2019. Timeshare visitors represented 0.2% of all visitor arrivals on O'ahu during the third quarter, which was the second lowest market share among the islands. The average O'ahu timeshare visitor stayed on O'ahu for 25.3 days during the quarter, compared with 6.3 days during the same period a year earlier.

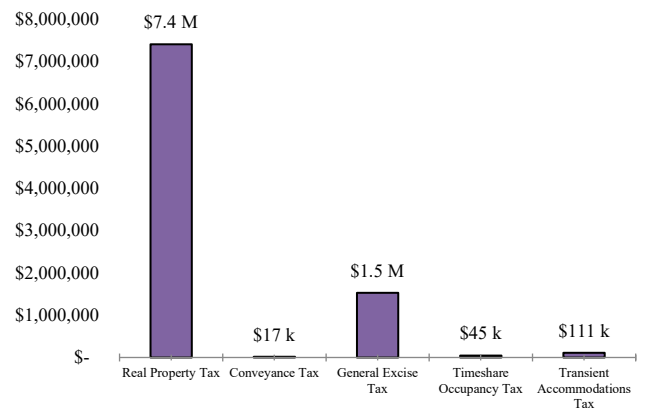
Participating properties on O'ahu reported a total of \$9.1 million in taxes for the third quarter, of which \$7.4 million (81.3%) were real property taxes.

O'ahu timeshare resorts reported a 1.7% increase in the number of resort operations employees during the quarter and a 7.7% decrease in sales and marketing employment. The O'ahu timeshare properties reported total employee payroll expense of \$2.5 million for the quarter, compared to \$18.0 million in payroll expense reported by the properties that provided data for the Q3 2019 study.

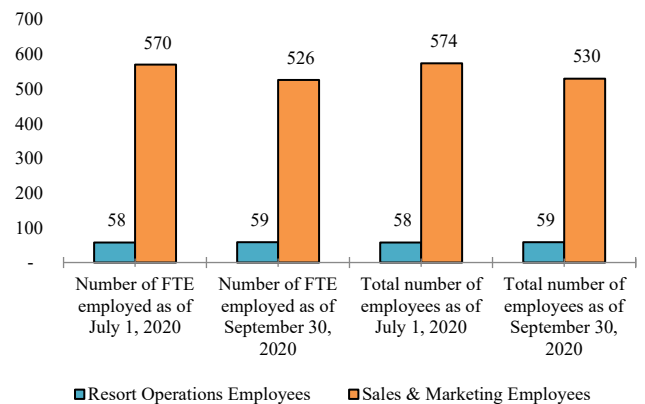
O'ahu Mix of Occupied Room Nights



O'ahu Taxes



O'ahu Employment



## Maui County

Maui County's timeshare properties achieved an average occupancy of 6.8% during the third quarter, compared with 93.7% occupancy achieved during the third quarter of 2019. During the same period, Maui's hotel occupancy averaged 12.3%.

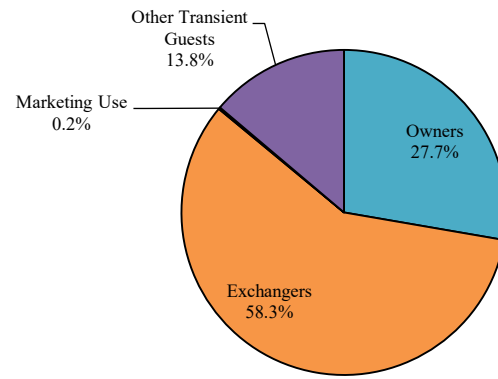
During the third quarter, owner occupancy accounted for 27.7% of occupied room nights at Maui County timeshare resorts, the lowest share among the counties during Q3. Exchange use contributed 58.3% of all occupied room nights at Maui County's timeshare properties during the quarter, highest among the counties during the quarter. Transient and Marketing use contributed 13.8% and 0.2% of occupied room nights, respectively.

Maui County welcomed 144 timeshare visitors during the quarter, compared with 82,485 timeshare visitors during the same period in 2019. Maui timeshare visitors spent an average of 25.7 days in Maui County during the third quarter, compared with 8.8 days during Q3 2019.

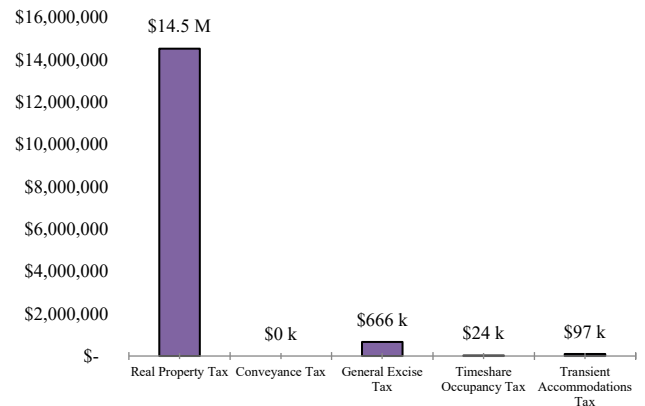
Participating properties in Maui County that provided survey data reported a total of \$15.3 million in state and county taxes in the third quarter. Property taxes accounted for \$14.5 million or 94.9% of the total.

Maui County timeshare properties reported a 0.3% decrease in the total number of resort operations employees, while the number of sales and marketing employees decreased by 3.3% during the third quarter of 2020. Maui timeshare properties providing survey data reported total payroll expense of \$1.3 million during the quarter, compared with over \$19.2 million in payroll expense reported by properties that provided data for Q3 2019.

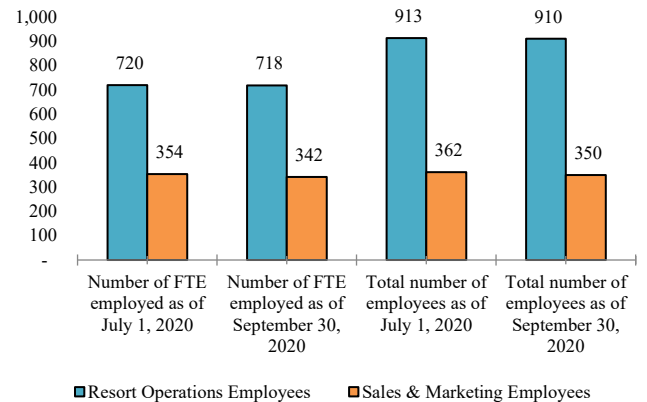
County of Maui Mix of Occupied Room Nights



County of Maui Taxes



County of Maui Employment



## Kaua'i

Kaua'i's timeshare properties averaged 17.6% occupancy during the third quarter, the highest timeshare occupancy among the counties for the quarter but a sharp decrease from the 87.8% occupancy during the prior year. During the same period, Kaua'i's hotels and condominium hotels reported average occupancy of 17.8%.

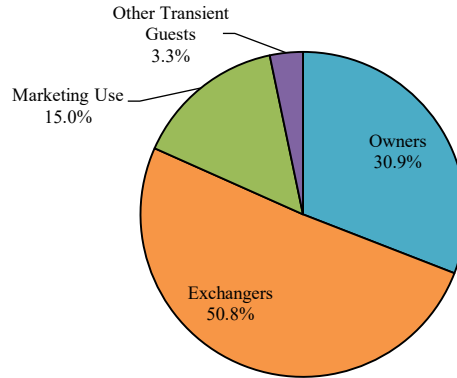
During the third quarter of 2020, owner use represented 30.9% of the occupied room nights at Kaua'i's timeshare resorts. Exchange use represented 50.8% of occupied timeshare room nights on Kaua'i, the lowest share among the counties. Marketing use represented 15.0% of occupied room nights on Kaua'i during Q3, while other counties' marketing use share was below 1.0%, indicating that the marketing of timeshare interests resumed on Kaua'i during Q3. Transient use accounted for 3.3% of occupied room nights.

Kaua'i welcomed 41 timeshare visitors during the quarter, compared with 55,270 visitors during the third quarter of 2019. Kaua'i timeshare visitors stayed on the Garden Island for an average of 34.6 days during the quarter, up from the 8.7-day average reported for the prior year.

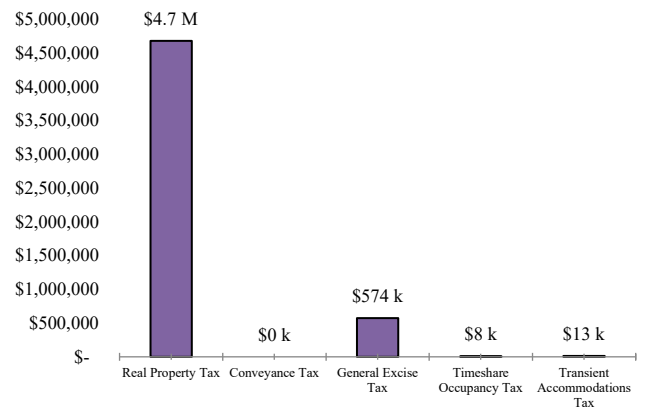
Kaua'i timeshare resorts that provided survey data reported \$5.3 million in taxes during the third quarter. Real Property Tax represented about \$4.7 million of the total, or 88.7%.

Among properties reporting data, resort operations employment at Kaua'i's timeshare properties decreased by 1.1% during the quarter, while sales and marketing employment decreased by 28.7%. Participating respondents reported payroll expense of about \$2.7 million for the quarter, compared with \$9.1 million reported by properties contributing data for the Q3 2019 study.

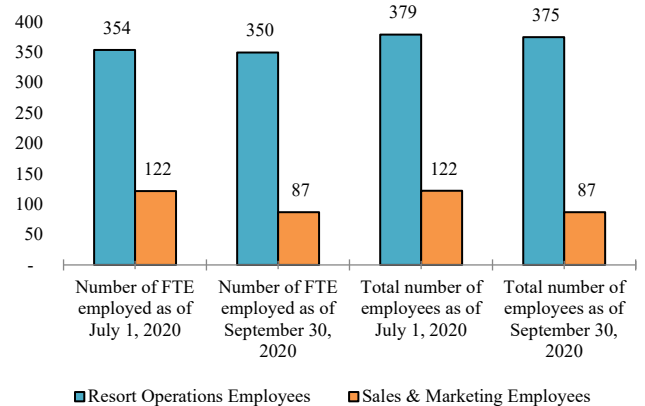
**Kaua'i Mix of Occupied Room Nights**



**Kaua'i Taxes**



**Kaua'i Employment**



## Hawai'i Island

Hawai'i Island timeshare resorts achieved occupancy of 1.8% during the third quarter, compared to 88.0% during the same period last year. During the same period, hotel occupancy on Hawai'i Island was 23.9%.

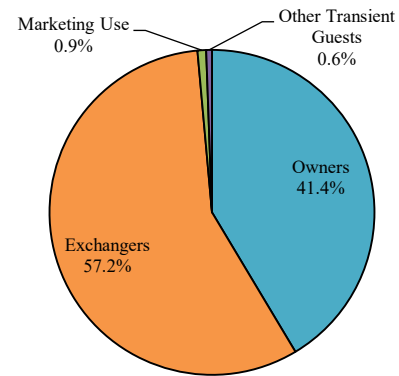
During the quarter owner use generated 41.4% of the occupied room nights at Hawai'i Island timeshare properties, the highest share in the state. Exchange use represented 57.2% of occupied room nights during the quarter. Transient and Marketing use represented 0.6% and 0.9% of occupied room nights, respectively.

According to HTA data, Hawai'i Island welcomed 15 timeshare visitors during the quarter, compared with 43,696 timeshare visitors during the third quarter of the prior year. The handful of timeshare visitors to Hawai'i Island during Q3 had an average length of stay of 38.0 days, the longest average stay among the counties during the quarter. During Q3 2019 Hawai'i Island's average timeshare length of stay was 7.6 days.

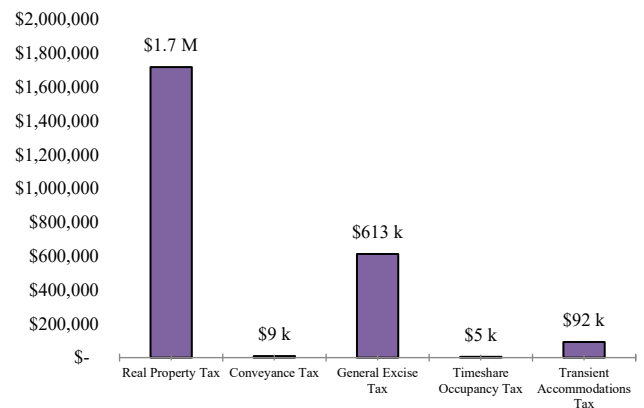
The Hawai'i Island timeshare properties reporting tax data to the survey report a total of \$2.4 million in state and county taxes during the third quarter. Real property taxes contributed the largest share, \$1.7 million of the total (70.5%).

Hawai'i Island timeshare properties reported a 0.9% decrease in the total number of resort operations employees during the quarter, and a 14.9% decrease in the number of sales and marketing employees. Timeshare properties on the island providing survey data reported total payroll expense of \$4.1 million during the quarter, less than half the \$10.7 million payroll expense reported by properties that provided data during the prior year Q3.

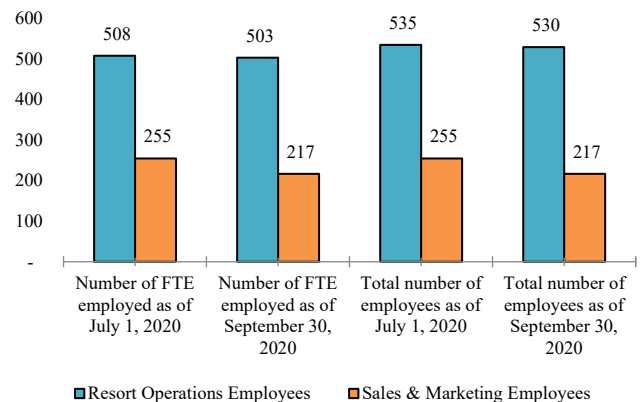
Hawai'i Island Mix of Occupied Room Nights



Hawai'i Island Taxes



Hawai'i Island Employment



## Hawai'i Tourism Authority

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## Survey Overview

Kloninger & Sims Consulting 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 82.2 percent of registered timeshare units statewide, which represents 52 participating properties and 9,839 units.