

Statewide Timeshare Performance & Taxes

During the second quarter of 2019, Hawai'i's timeshare industry achieved an 91.0% occupancy rate, a decrease of 0.6 percentage points compared with the same period during 2018. The statewide hotel and condominium hotel occupancy averaged 80.6% during the second quarter, according to STR, Inc. data reported by the Hawai'i Tourism Authority ("HTA").

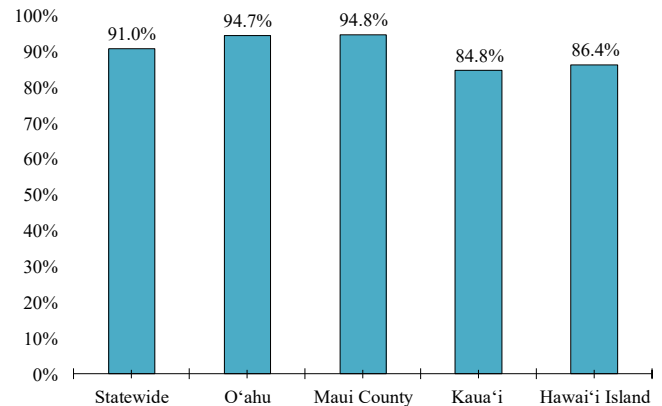
Owners using their timeshare accounted for 55.9% of occupied room nights in Hawai'i's timeshare resorts during the second quarter of 2019. Exchangers (timeshare owners who participate in a timeshare exchange program) represented another 18.1% of the occupied room nights. Transient rental, which also includes rental to owners and exchangers beyond their allotted timeshare stay, accounted for 16.8% of occupied room nights during the quarter. Marketing use represented 9.2% of occupied room nights.

The second quarter 2019 timeshare survey findings, based on data provided by 53 individual timeshare properties, represent 76.0% of Hawai'i's 11,963 timeshare units.

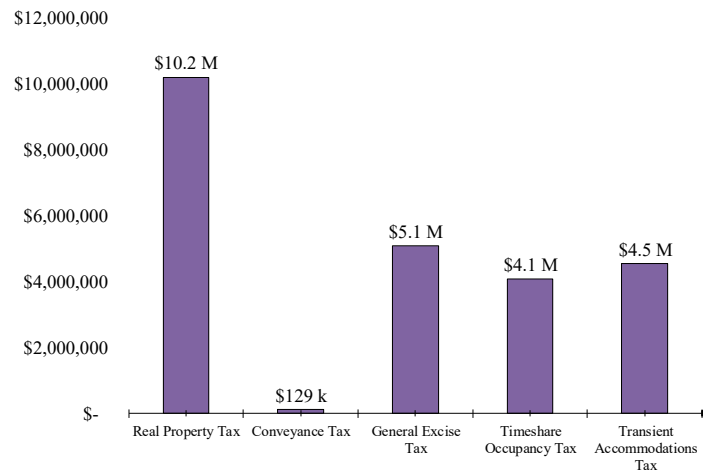
According to HTA data, 225,070 visitors to the state chose to stay at timeshare resort for all or part of their stay during the second quarter, an increase of 2.4% from second quarter of 2018. Of the state's 225,070 timeshare visitors, 177,745 (79.0%) chose to stay exclusively in a timeshare resort while visiting Hawai'i during the quarter.

Timeshare visitors represented 8.6% of all Hawai'i visitor arrivals during the second quarter of 2019, compared with an 8.9% share during Q2 2018. While the number of timeshare visitors increased year over year, the rate of growth lagged overall visitor growth to Hawai'i. Timeshare visitors had an average length of stay of 9.6 days during the second quarter, down from the 9.9-day average stay during Q2 2018 but higher than the 8.5-day average length of stay for all visitors, according to HTA data.

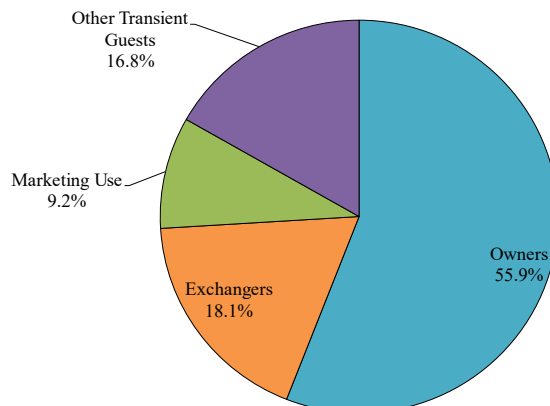
Timeshare Occupancy by Island



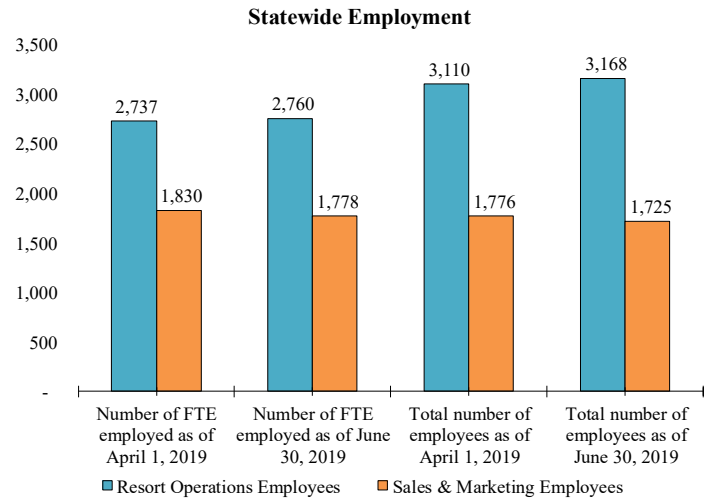
Mix of Taxes Paid Statewide



Statewide Mix of Occupied Room Nights



During the second quarter, participating timeshare properties generated a total of \$24.0 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 \$10.2 million or 42.4% of the total. General Excise Tax accounted for a \$5.1 million or 21.2% 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 3,168 at the end of the quarter, a 1.9% increase from the employee count at the beginning of the quarter. At the end of the quarter, timeshare resorts reported 1,725 sales and marketing employees, a 2.9% decrease from the count at the start of the second quarter.

For the second quarter of 2019, statewide payroll expenses for timeshare survey participants that provided data totaled \$69.9 million, of which resort operations payroll contributed \$33.4 million and sales and marketing payroll \$36.5 million.

O'ahu

In the second quarter of 2019, timeshare resorts on O'ahu averaged 94.7% occupancy, a 2.1 percentage point increase compared to the prior year. During the same period, O'ahu's hotel occupancy averaged 83.6%.

Owner occupied room nights represented 64.8% of total occupied room nights at O'ahu's timeshare resorts during the second quarter, the highest share of owner use among the islands. Other transient guests contributed 13.8% of the occupied room nights at O'ahu timeshare properties, which was the lowest share among the islands. Exchange use represented 12.2% of occupied room nights at O'ahu timeshare resorts, also the lowest share among the islands during the second quarter.

According to the HTA, O'ahu welcomed 86,060 timeshare visitors during the second quarter, the greatest number of timeshare visitors among the islands. Timeshare visitors represented 5.5% of all visitor arrivals on O'ahu during the second quarter, which was the lowest market share among the islands. The average O'ahu timeshare visitor stayed on O'ahu for 7.1 days during the quarter, unchanged from the prior year.

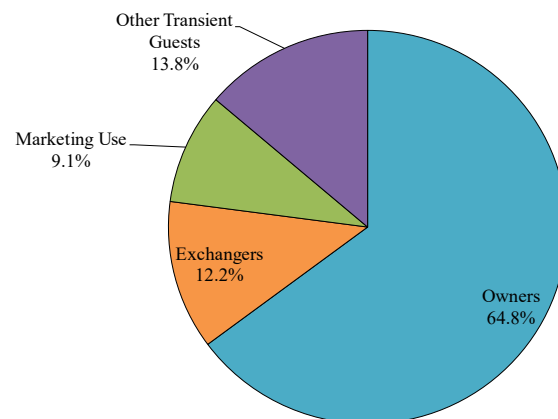
Participating properties on O'ahu reported a total of \$9.5 million in taxes for the second quarter, of which \$4.4 million (46.3%) were real property taxes.

O'ahu timeshare resorts reported a 3.8% increase in the number of resort operations employees during the quarter and a 6.7% decrease in sales and marketing employment. The O'ahu timeshare properties reported total employee payroll expense of \$25.6 million for the quarter.

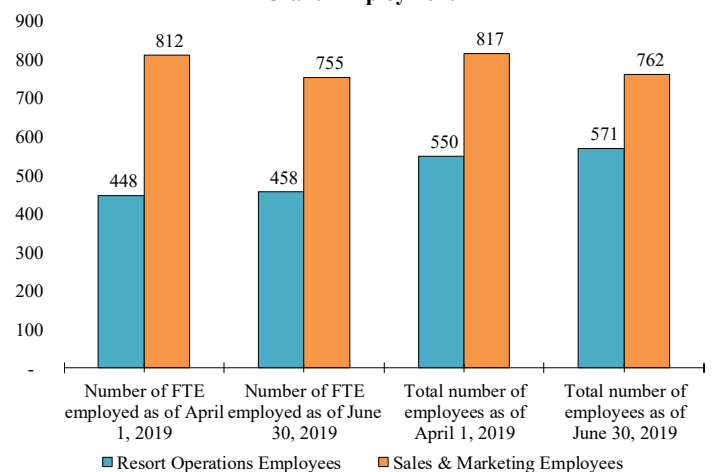
O'ahu Taxes



O'ahu Mix of Occupied Room Nights



O'ahu Employment



Maui County

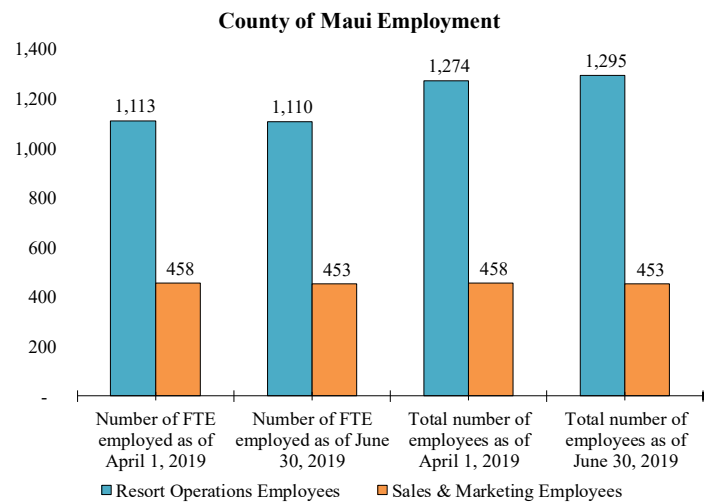
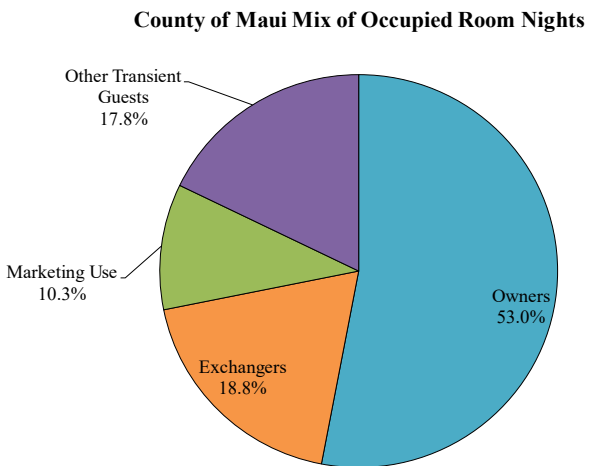
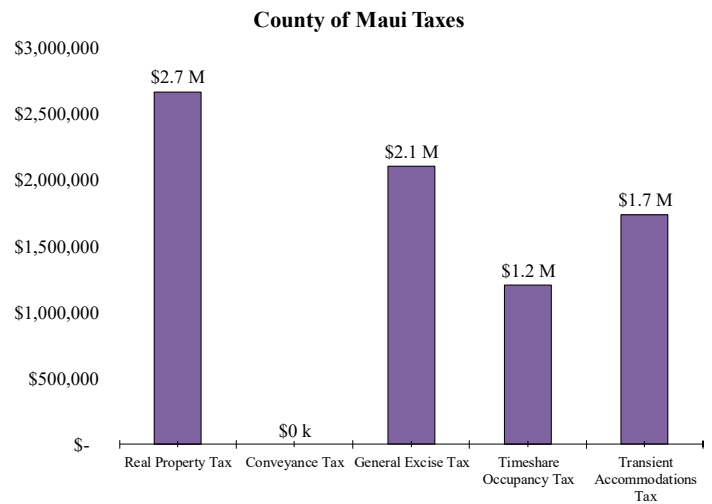
Maui County's timeshare properties achieved an average occupancy of 94.8% in during the second quarter, the highest timeshare occupancy among the counties and a 0.8 percentage point increase compared to the second quarter of 2018. During the same period, Maui's hotel occupancy averaged 78.8%.

During the second quarter, owner occupancy accounted for 53.0% of occupied room nights at Maui County timeshare resorts. Exchange use contributed 18.8% of all occupied room nights at Maui County's timeshare properties during the quarter. Maui County timeshare resorts reported the highest share of Marketing occupancy (10.3%) in the state.

Timeshare visitors to Maui County totaled 82,404 during the quarter, representing 10.2% of all visitor arrivals on Maui during the quarter, a slight decrease from the 11.0% share during the same period in 2018. Maui timeshare visitors spent an average of 8.8 days in Maui County during the second quarter.

Participating properties in Maui County that provided survey data reported a total of \$7.7 million in state and county taxes in the second quarter. Property taxes accounted for \$2.7 million of the total or 34.6%.

Maui County timeshare properties reported a 1.6% increase in the total number of resort operations employees, while the number of sales and marketing employees decreased by 1.1% during the second quarter of 2019. Maui timeshare properties providing survey data reported total payroll expense of \$21.4 million during the quarter.



Kaua'i

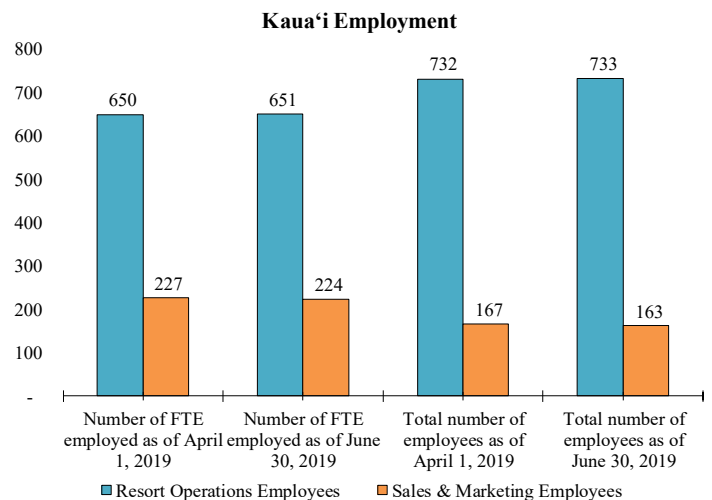
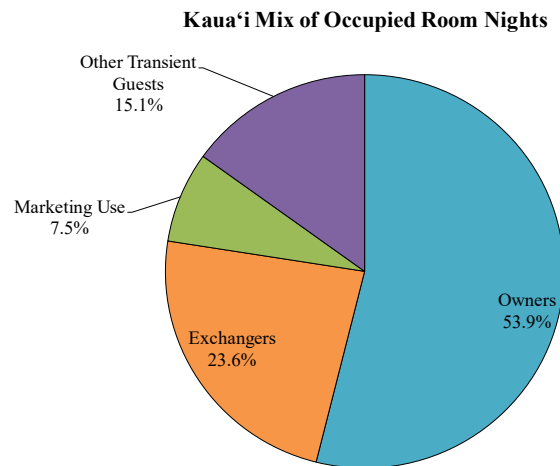
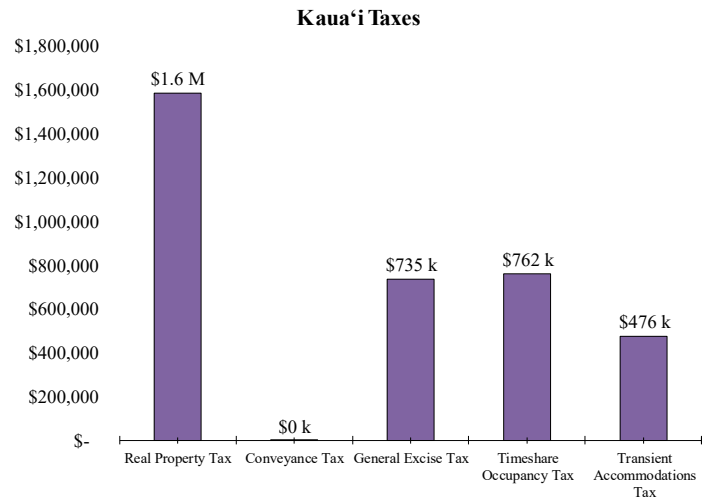
Kaua'i's timeshare properties averaged 84.8% occupancy during the second quarter, a 6.8 percentage point decrease compared to the prior year. During the same period, Kaua'i's hotels and condominium hotels reported average occupancy of 73.3%.

During the second quarter of 2019, owner use represented 53.9% of the occupied room nights at Kaua'i's timeshare resorts. Exchange use represented 23.6% of occupied timeshare room nights on Kaua'i, the highest share of Exchange use among the islands. Marketing use represented 7.5% of occupied room nights on Kaua'i during Q2, the lowest share of marketing use during the quarter.

Timeshare visitors represented 16.0% of Kaua'i's total visitor arrivals during the second quarter, by far the highest proportion of timeshare visitors among the islands and an increase from the 15.6% share achieved during Q2 2018. Kaua'i welcomed a total of 56,195 timeshare visitors during the quarter. Kaua'i timeshare visitors stayed on the Garden Island for an average of 8.8 days during the quarter, unchanged from the prior year.

Kaua'i timeshare resorts that provided survey data reported \$3.6 million in taxes during the second quarter. Real Property Tax represented about \$1.6 million to the total, or 44.6%.

Among properties reporting data, resort operations employment at Kaua'i's timeshare properties increased by 0.1% during the quarter, while sales and marketing employment decreased by 2.4%. Participating respondents reported payroll expense of \$9.8 million for the quarter.



Hawai'i Island

Hawai'i Island timeshare resorts achieved occupancy of 86.4% during the second quarter, a 2.4 percentage point increase compared to last year. During the same period, hotel occupancy on Hawai'i Island was 74.9%.

During the quarter, fewer than half the occupied room nights (49.9%) were generated by owner use at Hawai'i Island timeshare properties, the lowest share in the state. Transient use represented 21.4% of occupied room nights during the quarter, the highest share among the islands.

Hawai'i Island welcomed 43,408 timeshare visitors during the second quarter, a 2.5% increase year over year. Timeshare visitors accounted for 10.0% of all visitor arrivals to the island during Q2, up from a 9.7% share the prior year. The average timeshare visitor to Hawai'i Island stayed on the island for 7.9 days during the second quarter, down from the 8.0 average reported for the same period in 2018.

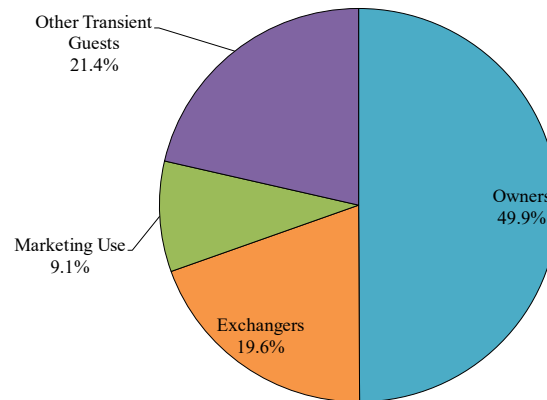
The Hawai'i Island timeshare properties reporting tax data to the survey report a total of \$3.2 million in state and county taxes during the second quarter. Real property taxes contributed the largest share, \$1.5 million of the total (47.1%). Hawai'i Island timeshare resorts reported paying about \$732,000 in TAT during the quarter, representing 22.6% of total taxes. This was the highest share of TAT among the islands and consistent with the island having the largest share of transient occupancy during the quarter.

Hawai'i Island timeshare properties reported a 2.7% increase in the total number of resort operations employees during the quarter, and a 3.9% increase in the number of sales and marketing employees. Timeshare properties on the island providing survey data reported total payroll expense of \$13.2 million during the quarter.

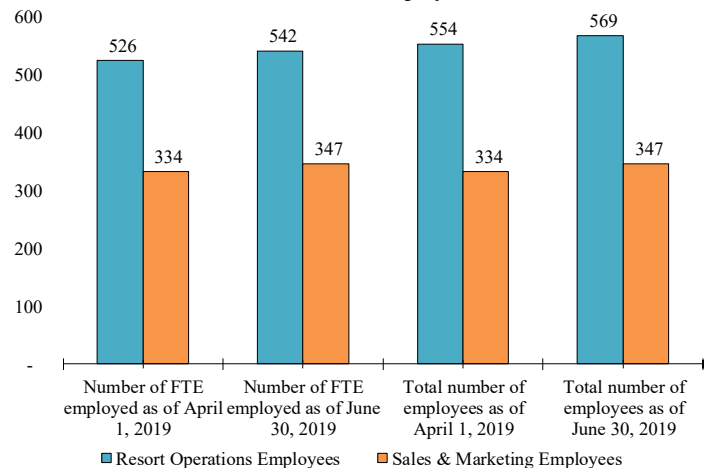
Hawai'i Island Taxes



Hawai'i Island Mix of Occupied Room Nights



Hawai'i Island Employment



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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 76.0 percent of registered timeshare units statewide, which represents 53 participating properties and 9,086 units.