Ragatz Associates

THE RESORT TIMESHARE INDUSTRY IN THE ASIA PACIFIC REGION: 1999

Prepared for

RCI ASIA-PACIFIC

Prepared by

RAGATZ ASSOCIATES, INC.

September 1999

THE RESORT TIMESHARE INDUSTRY IN THE ASIA PACIFIC REGION

EXECUTIVE SUMMARY

Resort timesharing came to the Asia Pacific[1] region in the 1980s, with strong growth during the 1990s. Timeshare industry growth slowed in selected countries within this region as a result of the currency crisis of 1997. However, recovery is underway and interest among developers in the timeshare concept is widespread.

The Asia Pacific region included 484 operational timeshare resorts as of June 30, 1999. Japan hosts the most timeshare resorts with 320, followed by Malaysia with 41, Thailand with 38, and Indonesia with 25. Resorts in the region include about 34,000 timeshare units. These are located in a wide range of environments, including urban, beach, golf, ski, and mountain settings.

The most common timeshare product in the Asia Pacific region outside of Japan and Korea is a right-to-use, providing floating time on a year-round basis. However, flexible point systems are growing in popularity, particularly in Southeast Asia. In Korea, most timeshares provide 28 nights of use per year. In Japan, almost 95 percent of the resorts offer 26 nights of use per year, although 13-night plans are experiencing growing popularity. The other five percent of Japanese timeshare resorts offer “western style” timesharing with seven nights of annual use.

Unlike most of the region, timeshare buyers in Korea and Japan are not necessarily provided with a one-year exchange membership at the time of purchase. Exchange membership varies greatly within the region, from very high in Singapore to quite low in Malaysia.

Timeshare prices in the Asia Pacific region tend to be moderate, with the average week outside of Japan selling for about $4,700. In Japan, a traditional 26-night timeshare currently sells for about $63,000 while a western-style seven-night timeshare sells for about $7,200. Constraints on pricing include low incomes in much of the region, the recent economic crisis, a lack of consumer financing with terms of more than one or two years, and culturally-based resistance to vacationing among consumers in some countries. Korean timeshares sold in four-week increments at low prices per week also reduce the regional average.

[1] Includes China (both Taiwan and mainland), Indonesia, Japan (including Okinawa), Korea, Malaysia, Pakistan, the Philippines, Saipan (Northern Marianna Islands), Singapore, Sri Lanka, and Thailand.

Due to low prices and other regulatory, attitudinal, and economic constraints on the market, timeshare volume in the region currently totals only about $396 million annually, including about $300 million in Japan and $96 million elsewhere in the region. Some 282,000 households own timeshares in the region, comprising about 777,000 weeks or the equivalent in points. The average number of weeks per timeshare-owner household is relatively high due to the prevalence of 28-nights-per-year programs in Korea, and 26-night and 13-night programs in Japan.

Those who own timeshares in the Asia Pacific region tend to be substantially younger, and are much more likely to have children living at home, than are timeshare owners in North America, Mexico, the Caribbean, or Europe. Outside Japan, timeshare owners tend to have much lower incomes than in most of the world, with the median household income only about $36,000. Those who own timeshares in Japan report median incomes of $103,000, reflecting high prices there for 26-night intervals. By comparison, timeshare owners in Mexico and the United States report median incomes of $68,000 annually. The strongest markets in most Asia Pacific countries are domestic, with Thailand a significant exception.

The majority of Asia Pacific timeshare owners appear to be less than satisfied with their purchase. Of those who own in Japan, only 47.0 percent express satisfaction with their purchases, and only 50.9 percent would definitely purchase again in hindsight. Outside Japan, only 48.2 percent are satisfied with their purchases and just 36.2 percent would purchase again. Economic troubles in the region undoubtedly contribute to this lack of satisfaction, perhaps because many owners cannot afford the annual maintenance fees.

Throughout much of the region, timeshare stays tend to be short and associated with weekends or holidays. Among Japanese timeshare owners, the average stay is only 1.9 nights. Outside Japan, the average stay in an Asia Pacific timeshare is only 4.4 nights.

As elsewhere in the world, timeshare development brings stability, visitor spending, and jobs to the host community. For example, among owners of timeshare in Japan, expectations regarding future visits to the resort area where the timeshare is located are 99 percent higher than if the households were not timeshare owners. Outside Japan, expected future visitation is 130 percent higher. Extensive findings regarding visitor spending are discussed in some detail in the full report. The average timeshare project in the region, outside Japan, generates $6,260 in annual payroll per timeshare unit.