

The Leisure Industry

A Brief Health Check

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The Question

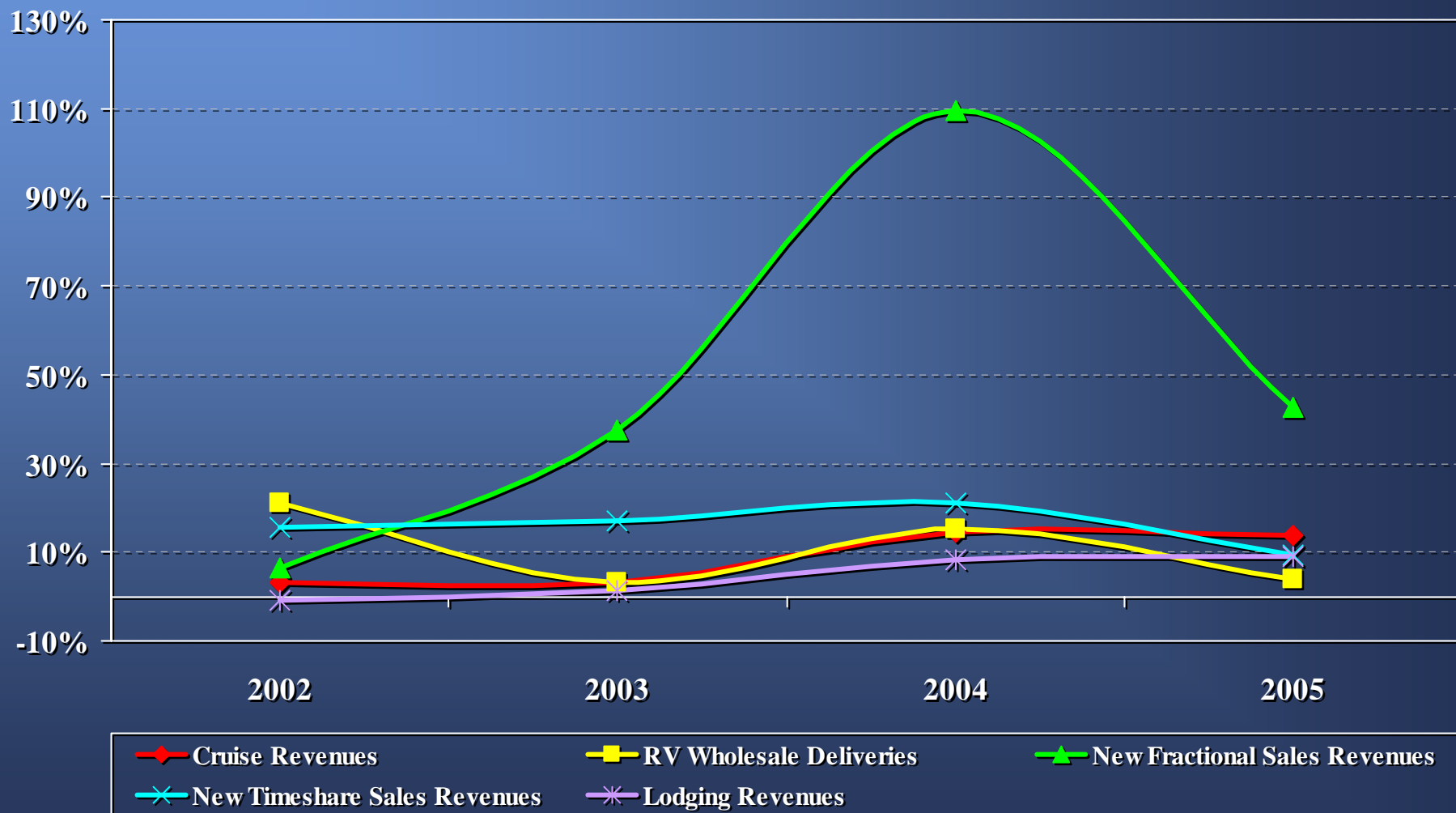
Is the lodging sector a reasonable indicator of
leisure industry health?

Consider the following charts...



Sales Trend Comparison

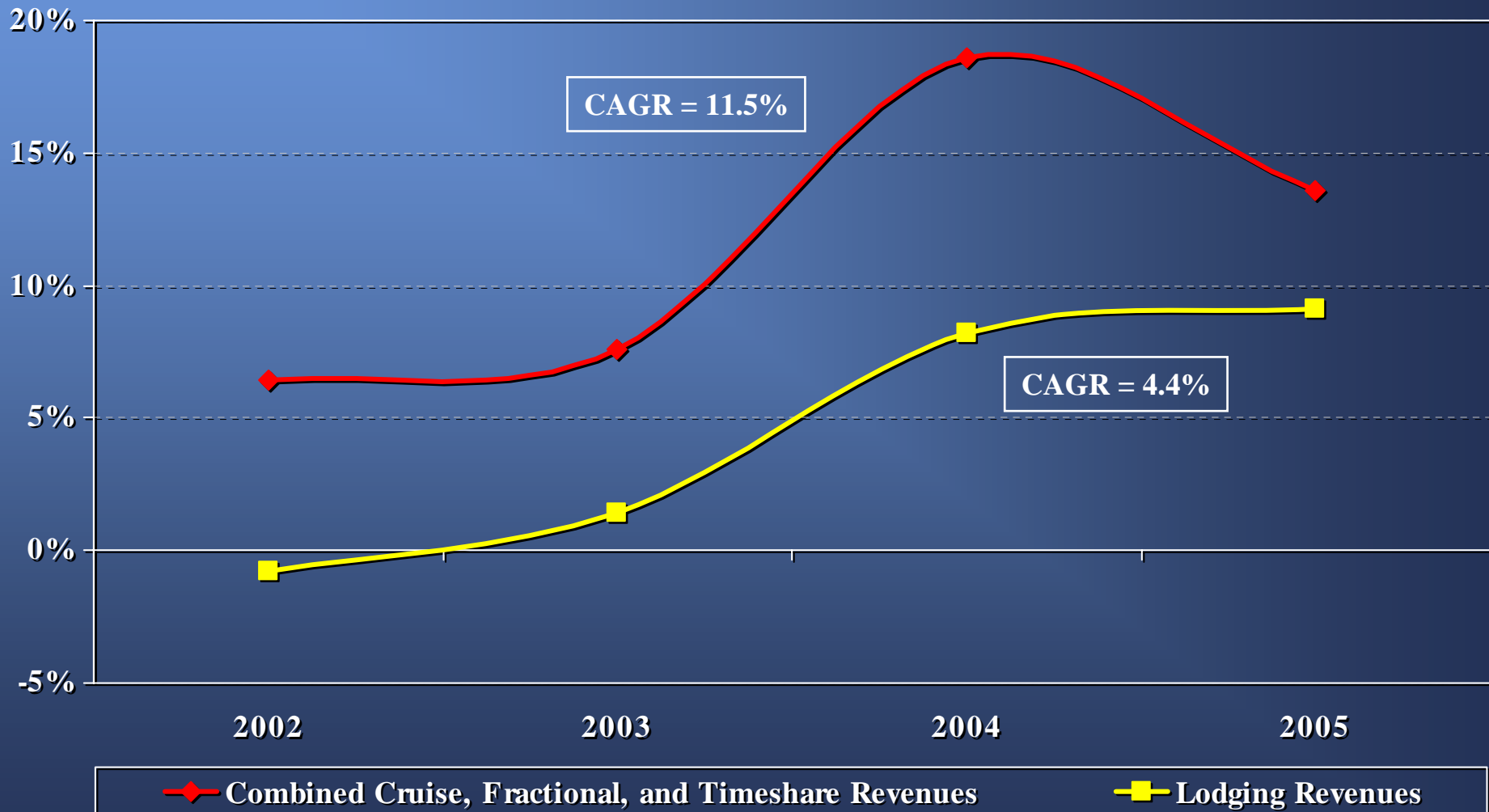
(Annual Percentage Change)





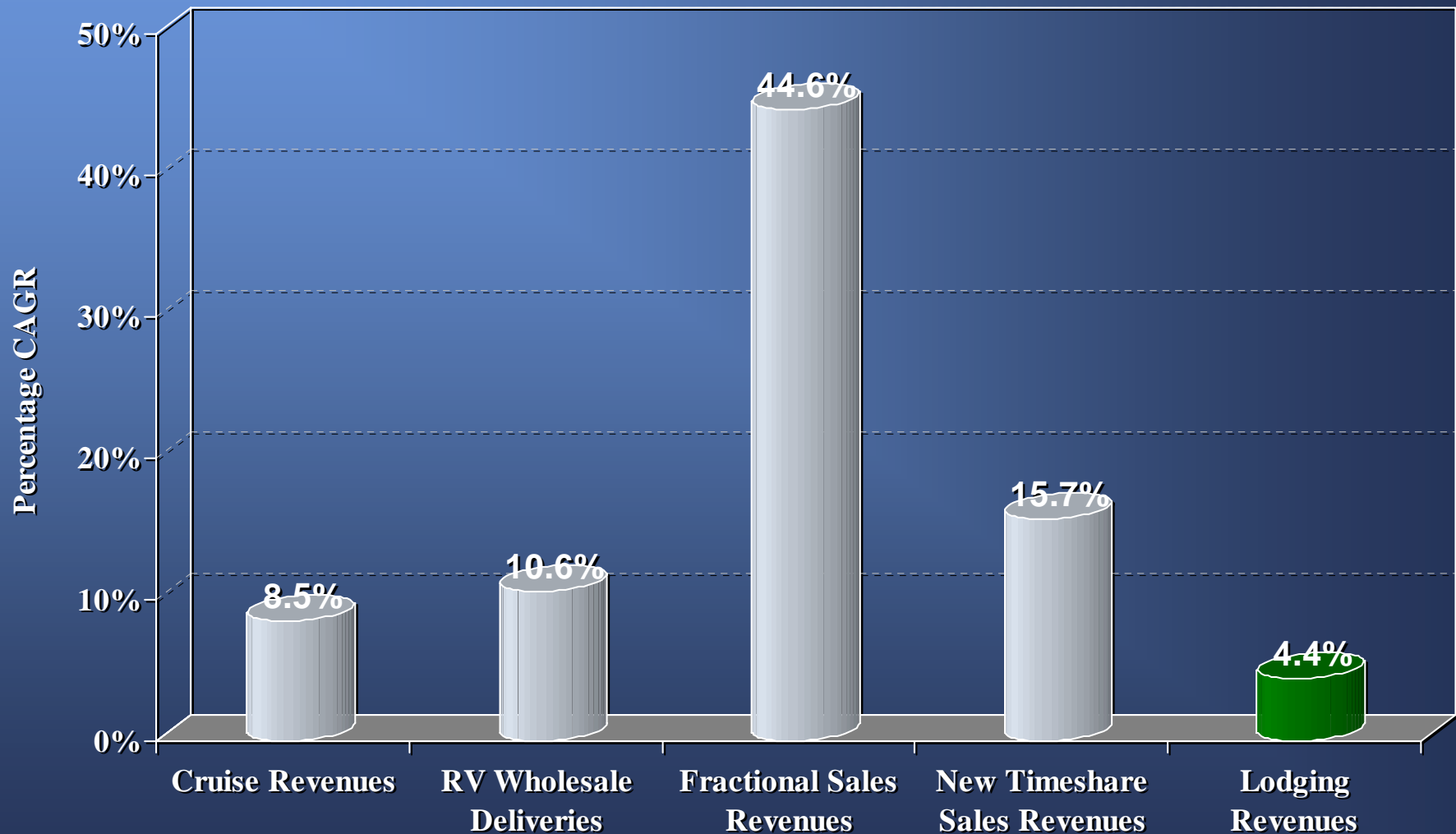
Comparison Lodging v. Other Sectors

Annual Percentage Change in Sales (2002 – 05)





Comparison of Sales CAGR 2001 - 2005

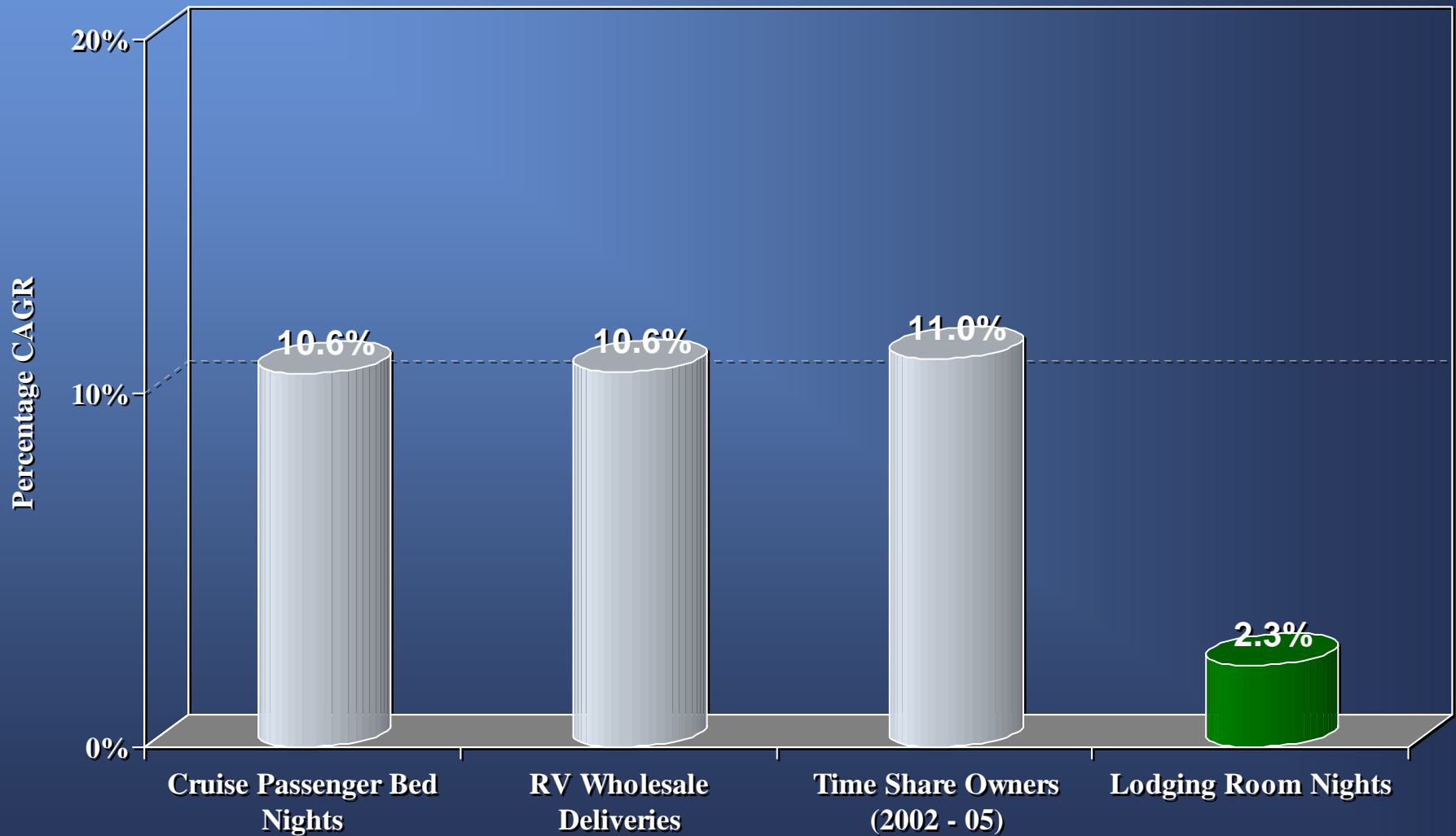


Sources: Bear Stearns, Business Research and Economic Advisors, Recreational Vehicle Industry Association, Ragatz Associates and Ernst & Young LLP with ARDA.

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Comparison of Demand CAGR 2001 - 2005



Sources: Bear Stearns, Business Research and Economic Advisors, Recreational Vehicle Industry Association, and Ernst & Young LLP with ARDA.



Food for Thought...

- Consensus of hotel industry leaders at NYU conference was that “we were in the 4th inning of a 9 inning game”

MEANWHILE:

- In 2005, 12.2% of home purchases were for second homes (in addition to second homes purchased for investment). (National Association of Realtors, 2005)
- By 2010, RVs will be owned by **8.5 million** households—an 8 percent increase, outpacing overall U.S. household growth of 6%. Among households that have never owned an RV, more than one in six expressed an interest in buying one in the future. 1st six months of 2006 saw a 14.3% increase in deliveries. (University of Michigan Survey Research Center, 2006)
- The cruise industry is back on its growth course with a record order book, including new generations of mega-ships that will undoubtedly take cruising to a new level by attracting ever broader markets. (Cruise Industry News, 2006)



Food for Thought...

- The cruise industry recorded 11.5 million passengers in 2005, up 8% annually since 2001. (Business Research and Economic Advisors, 2006)
- Fractional sales in North America (includes fractional, PRC, and destination clubs but excludes timeshares), new and used, were up 27% in 2005 as compared to 2004 (Ragatz Associates on behalf of Northcourse Leisure Real Estate Solutions, 2006)
- New timeshare sales in North America were up over 9% in 2005 as compared to 2004 (Ernst & Young LLP w/ ARDA, 2006)



Possible Conclusions

- The overall leisure industry is quite healthy and better positioned to withstand an economic downturn
- Perhaps we underestimate the total growth of the sector
- While less than other leisure types, lodging demand and revenue growth remains sound given its significant base
- Given the strength and base of wealth of the leisure consumer, the “leakage” issue may become a greater concern for the lodging industry