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Disclosing the Economic Impact of the Vacation Home Industry on Osceola County: A 2016 Affirmative Report

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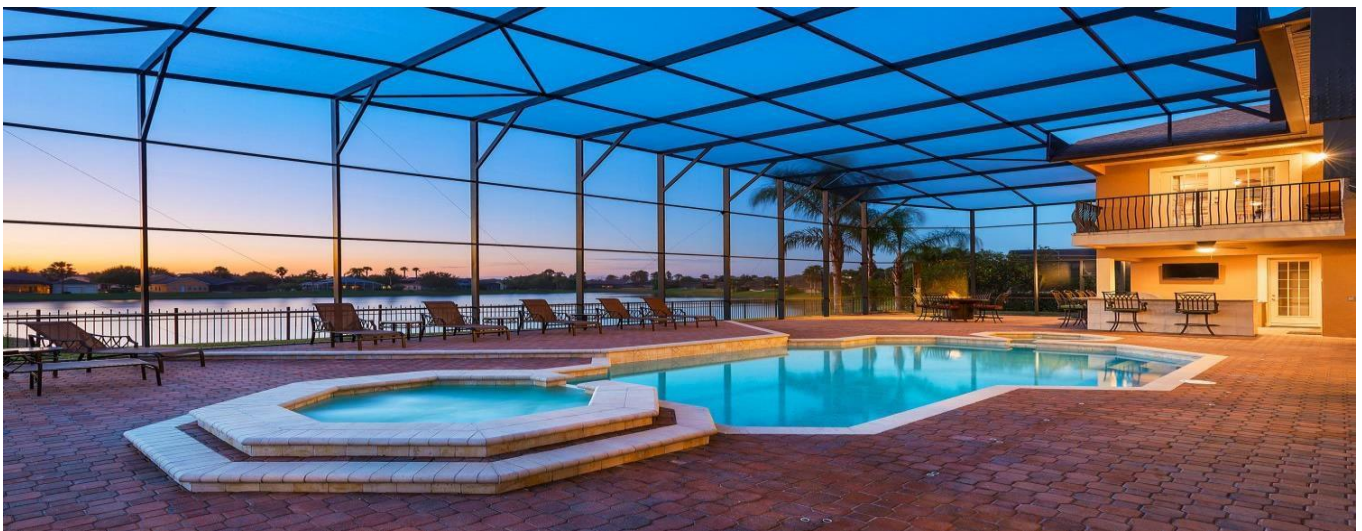




UNIVERSITY OF CENTRAL FLORIDA

**Disclosing the economic impact of the
vacation home industry on
Osceola County:
A 2016 affirmative report**

EXPERIENCE
Kissimmee





**Report Prepared for Experience Kissimmee
By The Dick Pope Sr. Institute *for* Tourism Studies.**

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1. EXECUTIVE SUMMARY

The purpose of this report is to assess the economic impact of the vacation home segment in the Kissimmee/Osceola area. The report was commissioned by Experience Kissimmee in response to the growing significance of the vacation home segment in the tourist industry of the county. The 2008 report from the Dick Pope Sr. Institute *for* Tourism Studies (DPITS) of the Rosen College of Hospitality Management at the University of Central Florida served as the baseline for the current DPITS report.

The vacation home industry is an engine that drives the tourism, real estate, finance, and insurance industries. Consequently, it has a significant spin-off effect on the local economy. Thus, the current report conducted three surveys of pertinent vacation home segment groups in order to explore their profile, spending behavior and their economic footprint in the area. The findings were examined and reveal a telling economic impact of the vacation home segment on the Kissimmee/Osceola area when compared to the 2008 report.

Vacation homes in the area were six percent less expensive than the unit price documented in 2008, revealing an average price of nearly \$269,000. Those who bought these units had a similar profile in terms of affluence compared to 2008. The reasons for buying units were location, climate, value, life style, and safety.

Major expenditure items of homeowners were property management fees (\$5,213.45), utility expenses (\$4,507.11), and property tax (\$4,227.12), followed by furnishings (\$4,058.65), and mortgage interest (\$3,073.14). The total annual expenditures related to ownership amounted to \$31,457.00. These cost items were significantly higher than the annual expenditures documented in 2008. In addition, homeowners spent a considerable amount of money when they stayed in their vacation home. The total amount that they spent over an average annual stay of 32 days amounted to \$10,666.00.

Homeowners queried were optimistic about the prospects of the area. Thus, they were not planning to sell their property in the foreseeable future. In fact, they indicated satisfaction with the product and were identified as loyal visitors to the area. Likewise, vacationing renters were highly satisfied with the product and the destination, and revealed a strong intention to return to the area. Thus, homeowners and renting vacationers shared similar optimism and loyalty.

The vacation home industry in Osceola County attracted nearly 2.1 million visitors compared to 1.3 million in 2008. The industry sold 4,346,139 room nights, which generated over \$353 million in direct spending from these sales. The average daily rate (ADR) was estimated at \$110.61, which was higher than the average ADR in the area. More than 81,000 vacationers were in the area on a daily basis, and each person staying in one vacation home unit spent on average nearly \$138.00 per person per day. The total direct spending per day was estimated at nearly \$12 million. The vacationing renters exhibited spending behavior that was significantly higher than that documented in the 2008 report and the typical tourists visiting the area.

The economic impact of the vacation home segment is significant. In 2015, the county collected \$21.2 million in terms of tourism development tax (TDT), which is equivalent to 45.9 percent of the total TDT collected for the county. The amount of tax collected is an indication of the economic spin-off that is spawned from the expenses incurred by homeowners, vacationers, and property management companies. The total economic impact (including indirect and induced effects) amounted to \$2.12 billion.

According to the estimation of this study, the vacation home segment (\$2.12 billion) represents 46.1 percent of the total tourism output of the county of \$4.6 billion, as indicated by county statistics.¹ Moreover, the estimated total impact is also higher than the impact revealed in the 2008 report. Table 1 reveals the comparison between the 2008 and the current results.

Table 1: Baseline comparison between the 2008 and 2016 results

| Indicators | 2008 | 2016 |
|---|---------------|-----------------------------|
| <i>Total Vacationers' Economic Impact</i> | \$1.1 billion | \$1.86 billion |
| <i>Vacationers' spending per day/per person</i> | \$79.00 | \$138.00 |
| <i>Total Tourism Development Tax (TDT)</i> | | \$21.2 million ¹ |
| <i>Total Vacationers</i> | 1.3 million | 2.05 million |
| <i>Occupancy rates for Vacation Homes</i> | 58% | 73.50% |
| <i>Total Economic Impact</i> ³ | \$1.7 billion | \$2.12 billion ² |

Notes:

¹ 45% of total TDT collected

² 50% of the county's tourism industry output

³ Including homeowners, vacationers, and management companies.

¹ See, for example, <http://ekcvb.com/sites/default/files/EKDecember2015REPORT.pdf>, retrieved on July 25, 2016.

2. BACKGROUND

This report is an update of the 2008 report entitled *The Economic Contribution of the Vacation Home Segment in Osceola County* commissioned by Experience Kissimmee, dated March 2, 2016. Experience Kissimmee is the travel and tourism authority for the Kissimmee destination, and functions as a public/private partnership with Osceola County government. Experience Kissimmee's request for proposal (RFP), dated January 15, 2016, was followed on February 15, 2016, by a Dick Pope Sr. Institute *for* Tourism Studies proposal offered to complete the updated report.

In 2008, the Dick Pope Sr. Institute *for* Tourism Studies (DPITS) of the Rosen College of Hospitality Management at the University of Central Florida indicated the economic relevance of the economic sector vacation home segment to a region within the state of Florida when it estimated a \$1.7 billion economic impact in Osceola County alone.² Recognizing the growing economic significance of the vacation home segment in Osceola County, Experience Kissimmee commissioned the DPITS to update its 2008 study regarding the economic impact of vacation homes in Osceola County. The 2008 DPITS report served as the baseline for the current DPITS report. This current report documents the profiling, motivation, and the economic and financial impact of the performance of the vacation home rental segment of the tourism industry in Osceola.

Since the 2008 report, the vacation home segment has increased its prominence in the tourism landscape of Osceola County. According to the 2010 US Census, the county reported 21,655 housing units for seasonal, recreational, or occasional use, which represents 16.9% of all housing units in the county.³ This amount of units, as per U.S. Census, suggests a significant increase of vacation home units as indicated by the 2008 report.⁴ Not surprisingly, the National Association of Realtors (NAR) characterized the Orlando/Kissimmee area as one of the top ten destinations in Florida with the second largest density of vacation homes after Miami and Miami Beach.⁵

Experience Kissimmee reported that the collected Tourism Development Tax (TDT) stemming from the vacation homes consumption during fiscal year 2016 was 45.9% of the total TDT collected for the 2016 fiscal year.⁶ Considering the total TDT collected in 2015 of \$46.2 million, the 45.9% portion attributed to the vacation homes segment would amount to \$21.2 million.

² See Croes, R., Hara, T., and Wang, Y. (2008). *The Economic Contribution of the Vacation Home Segment in Osceola County*. Report Prepared for the Kissimmee/St. Cloud Convention and Visitors Bureau, Rosen College of Hospitality Management, University of Central Florida.

³ U.S. Census defined vacation homes as housing units that are vacant for seasonal, recreational, or occasional use.

⁴ The 2008 report identified 7,811 vacation homes in the area (page 4).

⁵ See, NAR (2014). *Profile of International Home Buyers in Florida, 2014 Report*, <https://www.floridarealtors.org/ResearchAndStatistics/Other-Research-Reports/upload/FloridaSurveyFinal.pdf>, accessed on February 12, 2016.

⁶ See Osceola County Board of County Commissioners, Osceola County, Florida, *Tourist Development Tax Revenue Report, FY October 2015 – September 2016*, issued on June 14, 2016.

Vacation home sales in 2015 exceeded sales in 2014. According to a NAR report, vacation homes account for 16 percent of all home sales, the highest share since NAR began its survey in 2003.⁷

Sales in 2014 were up 57.4% compared to 717,000 in 2013, and they have reached an estimated 1.13 million vacation home sales in 2013.⁸ The vacation home sales in the state of Florida and in the Orlando/Kissimmee metro area seems to be driven by a large contingency of foreign buyers. That is, foreign buyers, particularly from Canada, South America (Brazil and Venezuela), and from Western Europe (UK), generated more than one-third of vacation home sales. Anecdotal evidence suggests that Asia is becoming an emerging market for the vacation home industry in Osceola County.

The NAR identified distinct purchase motivations of vacation homebuyers in comparison to primary home purchasers. These included the use of the property as a family retreat - with the potential for conversion to a primary residence in the future. Moreover, the outlook for the industry segment appears optimistic as more than 80% of vacation and investment homebuyers have reported that now is a good time to purchase real estate.

Experience Kissimmee, the tourist marketing arm of the county, has recently sought to position the area as the vacation-rental-home capital. This vision is embedded in the large density of vacation home rental units in the metro Orlando area.⁹

⁷ See NAR (2016). Investment & vacation homebuyer's survey, 2016. http://www.galvestonsales.com/site_data/galvestonsales/editor_assets/2016VacationHomeBuyerReport.pdf, accessed July 19, 2016.

⁸ See *Vacation Homes soar to record high in 2014*. <http://www.realtor.org/news-releases/2015/04/vacation-home-sales-soar-to-record-high-in-2014-investment-purchases-fall>, Accessed February 12, 2016.

⁹ See, for example, Orlando Sentinel of August 5, 2015. While the amount of vacation homes mentioned in the article was 9,800 rentals, the official number from U.S. Census is 21,655 units.

3. THE METHODOLOGY

The vacation home rental product spans multiple segments: the property owners, the property management companies, and the rental guests. Each group spawns its own impact through spending in its own value chain. That is, different market segments are likely to have different needs and preferences, and will buy different types of products and services. In addition, different types of buying decisions, such as impulsive, emotional or rational, may drive product and service choices. Thus, this study will investigate each group separately in order to ascertain the total impact of the vacation home segment.

Three surveys were designed by the DPITS, targeting the three segments of property owners, property management companies, and rental guests. Information was collected on the discrete spending of each group, i.e., vacation homeowners, tourists renting vacation homes, and vacation home management companies. Each survey consisted of four sections for each of the three targeted segments.

Information on tourists renting vacation homes included demographics, rental property selection criteria, expenditures related to the rental accommodation, and area expenditures during the stay. Vacation rental companies were queried on company characteristics, annual expenditures related to marketing and sales, operating expenses including but not limited to payroll, administration, fees paid to sub-contractors, general maintenance and utilities for common area taxes, as well as fees and revenues received from the property owners and rental parties. Finally, homeowners responded to questions related to demographics, initial purchase motivation and amount, annual expenditures related to maintenance, insurance, taxes and property management, as well as area expenditures while staying at the property.

A method based on an Input-Output/Social Accounting Matrix (I-O/SAM) was designed to carry out the economic and financial impact, creating one master model that was utilized for all the sub-topics. Specific expenditure patterns uniquely associated with each market were created based on the data collected. The IMPLAN software was used to measure the economic impact of the vacation home segment on the economy of the Kissimmee area.¹⁰

The surveys were conducted in the months of May and June 2016. A total of 383 surveys were collected. However, only 374 surveys were characterized as usable data, which included 91 vacationers, 261 homeowners, and 22 management companies.

¹⁰ The economic impact is observed through the traditional forms of direct, indirect, and induced effects.

4. FINDINGS

These findings are the result of three surveys administered by Experience Kissimmee. The three surveys correspond to respondents' samples from homeowners, vacationers, and management companies that manage vacation home properties in the Osceola/Kissimmee area. The findings pertaining to the vacationer segment should be interpreted with caution due to the small size of the sample.

4.1 HOMEOWNERS

Two hundred and sixty-one homeowners responded to the questionnaire, which included operational expenses, vacation home selection criteria, and financial situation. This response is higher than the response reported in the 2008 report (40 respondents were canvassed in 2008). Nearly half of the respondents indicated that their household income exceeded \$100,000, which is similar to the household income reported in 2008.

Fifty-seven percent of home purchases took place after 2010, and the average price per unit was \$268,941. This amount is higher than the 2015 purchase price (\$192,000) reported in the 2016 NAR Report, *2016 Investment and Vacation Home Buyers Survey*.¹¹ This amount was six percent less than the average price that was reported in the 2008 report, which was \$287,917. Inventory consisted of privately owned vacation homes and typically ranged from one-bedroom to four to five bedrooms. However, anecdotal evidence suggests a trend towards more sizeable units that include six to ten rooms.

Location was the main reason for respondents to select a vacation home in the area ($p=0.466$), followed by climate ($p= 0.326$), price-value ($p= 0.275$), life style ($p= 0.195$) and safety and security ($p= 0.156$).¹² These factors were similar to the factors that characterized the buying behavior of homeowners. The least important factors were ease of access to/from permanent residence and relative lack of congestion. Table 2 reveals the factors for selecting a vacation home.

The second column in Table 2 indicates the proportion of respondents who selected location as one of the factors shaping their decision to buy a vacation home, while the third column reveals the number of times that location was considered a factor in their decision-making choice. The second column therefore totals 100% because it refers to the respondents, while the third column totals more than 100% because many respondents may have completed the question by indicating more than one choice.

¹¹ Please visit <http://www.realtor.org/news-releases/2016/04/vacation-home-sales-retreat-investment-sales-leap-in-2015>, accessed July 19, 2016.

¹² ρ denotes the Spearman Rho statistic. The Spearman's correlation coefficient measures the strength of a monotonic relationship between paired data, characterizing 0.446 as moderately strong, while 0.326, 0.275, and 0.195 should be considered as weak and very weak relationships, respectively.

Table 2: Factors for Selecting Vacation Home by Homeowners

| | Frequency | % | % Of Cases |
|---|------------|-------------|---------------|
| <i>Location</i> | 201 | 30.8% | 85.9% |
| <i>Price and Value of Property</i> | 129 | 19.8% | 55.1% |
| <i>Climate</i> | 122 | 18.7% | 52.1% |
| <i>Ease of Access to/from Permanent Residence</i> | 17 | 2.6% | 7.3% |
| <i>Relative Lack of Congestion</i> | 8 | 1.2% | 3.4% |
| <i>Life Style</i> | 84 | 12.9% | 35.9% |
| <i>Relative Safety and Security of the Area</i> | 79 | 12.1% | 33.8% |
| <i>Others</i> | 13 | 2.0% | 5.6% |
| Total | 653 | 100% | 279.1% |

Table 3 reveals the spending distribution of homeowners for overall expenditures of the unit. Homeowners spend money to cover expenses related to the purchase, furnishing, and upkeep of the house. This expenditure category is related in order of significance to property management fees (\$5,213.45), utility expenses (\$4,507.11), property tax (\$4,227.12), followed by furnishings (\$4,058.65), and mortgage interest (\$3,073.14). This spending category has increased in significance compared to the 2008 report. The total overall expenditures for the unit amounted to \$31,457.44.

Table 3: Home Owners Spending Related to the Purchase, Furnishings, and Upkeep

| Expenditures Related to Ownership | |
|--|---------------------|
| <i>Property Tax</i> | \$ 4,227.12 |
| <i>Property Insurance</i> | \$ 1,425.03 |
| <i>Fees to Rental Management Company</i> | \$ 5,213.45 |
| <i>Total Fees to Property Management (lawn care, swimming pool etc.)</i> | \$ 3,248.53 |
| <i>Fees to Local Homeowners/Condominium Association</i> | \$ 2,555.78 |
| <i>Fees paid for Property Users (water, sewage, utilities, if any)</i> | \$ 4,507.11 |
| <i>Total Interest Expenses for Mortgage</i> | \$ 3,073.74 |
| <i>Average Annual Maintenance Costs for Wear and Tear</i> | \$ 4,058.65 |
| <i>Other</i> | \$ 3,148.03 |
| Total | \$ 31,457.44 |

Homeowners also spent money when they occupied the house for an average of 32 days per year per person.¹³ The biggest expenditure in this category was food and beverage, representing 22.8 percent of the total budget being spent in the county, followed in descending order by shopping (21.3%), and car rental (20.1%). Homeowners have spent more money on average compared to 2008. Table 4 displays the homeowners spending patterns while on vacation which totaled \$10,666.10.

¹³ The median annual stay was 24.5 days.

Respondents were optimistic about the prospect of their Osceola/Kissimmee property area, as more than 75 percent reported that they did not have plans to sell their property in the foreseeable future.

Table 4: Home Owners Spending Patterns when on Vacation

| Owners expenditures related to their visits | | |
|---|-----------|------------------|
| <i>Hotels or other lodging.</i> | \$ | 316.92 |
| <i>Restaurants.</i> | \$ | 2,429.20 |
| <i>Local buses.</i> | \$ | 39.09 |
| <i>Taxicabs/Private transportation fare (e.g. limos).</i> | \$ | 135.00 |
| <i>Car rental and leasing.</i> | \$ | 2,147.86 |
| <i>Bridge and road tolls.</i> | \$ | 75.73 |
| <i>Organized tours.</i> | \$ | 4.72 |
| <i>Amusement and recreation (e.g. tours, museums, cultural activities).</i> | \$ | 261.16 |
| <i>Performing arts (e.g., concerts, symphonies, ballets, plays, etc.).</i> | \$ | 131.10 |
| <i>Theme parks.</i> | \$ | 1,261.86 |
| <i>Golf, mini golf, tennis, not included as part of this event.</i> | \$ | 317.26 |
| <i>Movies.</i> | \$ | 73.37 |
| <i>Professional sporting events</i> | \$ | 180.67 |
| <i>Fuel (gasoline, diesel fuel, service stations).</i> | \$ | 283.36 |
| <i>Shopping (retail, excluding restaurants and gas stations).</i> | \$ | 2,276.28 |
| <i>Other expenses not previously recorded.</i> | \$ | 732.50 |
| Total | \$ | 10,666.09 |

4.2 VACATIONERS

Ninety-one respondents in the category of vacationers responded to the questionnaire, which means that fewer respondents were documented this year compared to the 113 respondents in 2008. The questionnaire included profiling, motivation, information sources, activities, spending behavior, and intention to return.

Respondents staying in a vacation home were relatively affluent with over one-third enjoying a household income between \$50,000 and \$100,000, while 29% had an income between \$100,000 and \$150,000, and nearly 20% enjoyed a household income exceeding \$150,000. More than half of respondents rented a unit consisting between four and five bedrooms.

The main purposes for visiting the area were to vacation (56%) or to visit friends and relatives (14.8%). These respondents were loyal visitors with over 80% reporting to have visited the area more than three times. With regard to information sources about the Osceola/Kissimmee area, nearly four out of ten respondents indicated that referrals from friends and relatives were their main source of information, followed by Tripadvisor, Homeaway and Visit Florida. Only 13% indicated that the Experience Kissimmee official website served as their information source while a large majority reported that other sources than those indicated in the questionnaire

were relevant for their search. Information sources consulted by vacationers staying in vacation homes are different than those sources typically used by tourists visiting the area. Table 5 reveals the main information sources as reported by respondents.

Table 5: Information Sources¹⁴

| | Frequency | % | % of Cases |
|---|------------------|---------------|-------------------|
| <i>Written: Kissimmee Destination Magazine</i> | 2 | 0.9% | 2.4% |
| <i>Written: Florida State Travel Guide</i> | 6 | 2.7% | 7.1% |
| <i>Written: Others</i> | 66 | 29.9% | 77.6% |
| <i>Traditional: Travel Agents</i> | 7 | 3.2% | 8.2% |
| <i>Traditional: Travel Magazines</i> | 1 | 0.5% | 1.2% |
| <i>Traditional: Referral from Friends and Relatives</i> | 31 | 14.0% | 36.5% |
| <i>Internet/Web: http://www.visitflorida.com/ (Florida's official tourism website)</i> | 16 | 7.2% | 18.8% |
| <i>Internet/Web: https://www.tripadvisor.com/</i> | 23 | 10.4% | 27.1% |
| <i>Internet/Web: http://www.experiencekissimmee.com/ (Kissimmee Convention & Visitors Bureau's official site)</i> | 11 | 5.0% | 12.9% |
| <i>Internet/Web: https://www.flipkey.com/</i> | 4 | 1.8% | 4.7% |
| <i>Internet/Web: https://www.airbnb.com/</i> | 1 | 0.5% | 1.2% |
| <i>Internet/Web: https://www.homeaway.com/</i> | 16 | 7.2% | 18.8% |
| <i>Internet/Web: Others</i> | 37 | 16.7% | 43.5% |
| Total | 221 | 100.0% | 260.0% |

The main reason for renting a vacation home, according to respondents, was location, being close to the theme parks, price and value, life style, safety and security, and climate. The reasons remain similar to those reported in the 2008 report. Table 6 reveals the important reasons for staying in a vacation home in the Osceola/Kissimmee area.

Table 6: Factors Important for Renting a Vacation Home (vacationers)¹⁵

| | Frequency | % | % of Cases |
|---|------------------|-------------|-------------------|
| <i>Reason-Location (close to the theme parks and attractions)</i> | 61 | 28.6% | 69.3% |
| <i>Reason-Price and Value of a Property</i> | 52 | 24.4% | 59.1% |
| <i>Reason-Climate</i> | 22 | 10.3% | 25.0% |
| <i>Reason-Ease of Access to/from Permanent Residence</i> | 6 | 2.8% | 6.8% |
| <i>Reason-Relative Lack of Congestion</i> | 5 | 2.3% | 5.7% |
| <i>Reason-Life Style (golf, swimming pools)</i> | 26 | 12.2% | 29.5% |
| <i>Reason-Relative Safety and Security of the Area</i> | 24 | 11.3% | 27.3% |
| <i>Reason-Other</i> | 17 | 8.0% | 19.3% |
| Total | 213 | 100% | 242.0% |

¹⁴ Explanation of columns 2 and 3 are similar to that provided for Table 1.

¹⁵ See footnote 13.

The party size was 7.9 persons compared to the average 4 commonly reflected in the statistics for county tourism.¹⁶ The party size is similar to the size reported in the 2008 report. The source countries are similar to those nurturing the other market segments patronizing the area. Respondents stayed on average 17 days.¹⁷ However, the median was 8 days, which is similar to the behavior documented in the 2008 report. Respondents from Brazil and Canada stayed longer on average compared to domestic vacationers and those from the United Kingdom.

Respondents reported that they spent the most per person per party on accommodations (\$3,232.41), followed by theme parks (\$1,950.78), shopping (\$1,362.50), restaurants (\$1,141.51), and car rental (\$1,023.33). The average spending per day was estimated at \$138 which is nearly 9 percent higher compared to the spending (\$127) of the typical tourist visiting the area. Moreover, the estimated spending of the vacationer staying in vacation homes is also significantly higher than the spending (\$79) revealed in the 2008 report. Table 7 reveals vacationer’s spending pattern.

Table 7: Per Person Expenditures on Various Tourism Commodities

| Items | Per Party | | Per Person | |
|-----------------------|-----------|----------|------------|--------|
| <i>Accommodations</i> | \$ | 3,232.41 | \$ | 409.17 |
| <i>Theme parks</i> | \$ | 1,950.78 | \$ | 246.93 |
| <i>Shopping</i> | \$ | 1,362.50 | \$ | 172.47 |
| <i>Restaurants</i> | \$ | 1,141.51 | \$ | 144.49 |
| <i>Car Rental</i> | \$ | 1,023.33 | \$ | 129.54 |

Note: Average number of person in a party is 7.9

This high spending behavior is an indication of the level of satisfaction revealed by visitors. Satisfaction is one of the most important concerns of competitive destinations because satisfaction drives tourists’ choice of the holiday destination and the decision to visit the destination in the future. Overall, respondents were satisfied with their vacation experience in the Osceola/Kissimmee area. Seven out of ten respondents indicated that they were satisfied or very satisfied with the vacation home product, while nine out of ten reported being satisfied or very satisfied with the destination.

This result suggests that accommodation is only one of the attributes impacting a visitor’s choice. In addition, eight of ten respondents indicated that they were likely to visit the destination in the near future. These findings were similar to those reported in the 2008 report. Table 8 reveals visitors’ level of satisfaction with the product and destination.

Table 8: Visitors’ Satisfaction Assessment (N=78)

| Categories | Very | | Neutral | Satisfied | Very |
|--|-------------|-------------|-----------|------------|------------|
| | Unsatisfied | Unsatisfied | | | |
| <i>Satisfaction with Vacation Home</i> | 1 (1.3%) | 14 (17.9%) | 8 (10.3%) | 22 (28.2%) | 33 (42.3%) |
| <i>Satisfaction with Osceola/Kissimmee</i> | 1 (1.3%) | 0 | 5 (6.5%) | 35 (45.5%) | 36 (46.8%) |

¹⁶ See, for example, <http://ekcvb.com/sites/default/files/EKDecember2015REPORT.pdf>, retrieved on July 25, 2016.

¹⁷ The discrepancy with the 2008 report is due to outliers in the reported length of stay.

4.3 PROPERTY MANAGEMENT COMPANIES

Twenty-two management companies responded to the questionnaire. This response is higher than the 15 property management companies that reported in the 2008 report. The questions were related to performance, operation, and marketing strategies used to position vacation homes, as well as management operating cost.

Property management operates on average 80 units in the Osceola/Kissimmee area, 60 units in other regions in the state of Florida, 150 in the country, including the state of Florida, and 177 units worldwide. The average occupancy rate is 73.5%, 75%, 74%, and 77.5% respectively in the Osceola/Kissimmee area, the state of Florida, the country, and the world. The occupancy rate of the vacation home segment was slightly higher than the average county's lodging performance.¹⁸ The ADR was estimated at \$110.61, which was similar to the average ADR of the accommodation sector in 2015.¹⁹ The current figures associated with the vacation home sector are higher than those reported in the 2008 report.

These companies consist of an average of 30 employees including sales and marketing, office activities, and maintenance. In terms of their operational expenses, only relative ratios to total sales (revenues) were considered due to lack of sufficient data to generalize absolute numbers." The total sales were as follows; 34.1% of total sales went to paying employees, 8.7% were associated with administrative expenses, while 10.8% went for marketing and sales expenses, 2.4% were for office rent, and 4.2% went to pay for repairs and maintenance.

Respondents from these companies reported that their customers were from different areas with one-third of their customers coming from outside the state. Twenty-one percent of their customers were from Canada, while 18.7 percent were from the United Kingdom. The marketing methods used to acquire the customers were mainly direct mail, web page Internet, and affiliate brokers.

Regarding the question, "In your opinion, what type of units (with how many bedrooms) are going to be the most popular in the future", three categories emerged. 1. Respondents who believed that two and three bedrooms will be more popular in the future, because they were popular in the past (saturation); and, hence, they will be popular again in the future. Currently, this type of unit is not being built. 2. Respondents who believed that 4-6 bedrooms are going to be popular. 3. Respondents who believed that more than 7 bedrooms were already popular, and were going to be more popular in the future. However, this group also believed that this type of vacation home unit was going to be saturated as well because more of these units are built every day.

¹⁸ The occupancy rate for the lodging sector was 72.2%, according to the county statistics. See <http://ekcvb.com/sites/default/files/EKDecember2015REPORT.pdf>, retrieved on July 25, 2016.

¹⁹ The county's ADR estimation is based on 21,655 vacation home units times 365 for a total amount of available room nights (7,094,075); 32 nights were occupied by the owners, while only 82% of the total available units were put in the rental pool. This means that the total available room nights was equal to 5,913,114. Only 73.5% of the available room nights were sold which totaled 4,346,139 room nights. TDT @ 6% collected \$21.2 million. The average ADR for the county was \$102.80 according to county statistics.

Finally, respondents rated a number of attributes, which have made the vacation home industry appealing in the Osceola/Kissimmee area. Table 9 reveals these attributes. In particular, three attributes are suggested as the most prominent, including choice and quality of the theme parks, tourist attractions, short-term rentals, airport services, restaurants, and national and international marketing. It is interesting to point out that these attributes reported by vacation property management are inconsistent with those characterized by the visitors. Respondents from the latter segment identified location, being close to the theme parks, price-value, life style, safety and security, and climate as the most important attributes driving their choice.

Table 9: Advantages and Disadvantages of Osceola/Kissimmee Based on Management Companies Survey (management companies)

| Advantages and Disadvantage of Osceola/Kissimmee | N | Mean | S.D. |
|---|----------|-------------|-------------|
| <i>Choice and Quality of Airport Services</i> | 8 | 4.13 | 1.126 |
| <i>Choice and Quality of Rent-a-Car Services</i> | 8 | 3.88 | 0.991 |
| <i>Choice and Quality of Taxi Services</i> | 7 | 3.43 | 0.787 |
| <i>Choice and Quality of Public Bus-Train Services</i> | 8 | 2.75 | 1.389 |
| <i>Choice and Quality of Hotels</i> | 8 | 3.63 | 1.302 |
| <i>Choice and Quality of Time-Share Units</i> | 7 | 3.00 | 1.528 |
| <i>Choice and Quality of Short-Term Rental Units</i> | 8 | 4.75 | 0.463 |
| <i>Choice and Quality of Convention Facilities</i> | 8 | 3.50 | 1.690 |
| <i>Choice and Quality of Restaurants</i> | 8 | 4.00 | 1.195 |
| <i>Choice and Quality of Theme Parks</i> | 8 | 5.00 | 0.000 |
| <i>Choice and Quality of Tourist Attractions</i> | 8 | 4.75 | 0.707 |
| <i>Choice and Quality of Employees</i> | 8 | 3.63 | 1.506 |
| <i>Choice and Quality of Managerial Staffs</i> | 8 | 3.50 | 1.512 |
| <i>Choice and Quality of Educational Services</i> | 8 | 3.38 | 1.506 |
| <i>Choice and Quality of Hospitality & Tourism Educational Services</i> | 8 | 3.63 | 1.506 |
| <i>Congestion on the Road</i> | 8 | 2.75 | 1.488 |
| <i>Congestion at the Tourist Attractions</i> | 8 | 2.75 | 1.488 |
| <i>Perceived Security Issues in the Area</i> | 8 | 3.13 | 1.553 |
| <i>Relative Prices of Tourism Attractions</i> | 8 | 3.13 | 1.356 |
| <i>Relative Prices of Accommodations</i> | 8 | 3.75 | 1.035 |
| <i>National Marketing of the Region</i> | 8 | 4.13 | 1.126 |
| <i>International Marketing of the Region</i> | 8 | 4.25 | 1.035 |

5. MEASURING THE ECONOMIC IMPACT OF VACATION HOME SEGMENT

The assumptions made for this segment were based on a sample of 1,000 vacation homeowners. The expenditures were averaged based on the responses of the survey respondents. These averages were then multiplied by 1000 owners. Table 10 reveals the results, which indicate that real estate, finance and insurance, and administrative costs were the prominent expenditure items characterized by the respondents. This characterization reveals the impact magnitude of this segment's extent over, and influence on, multiple industries in the area.

Table 10: Osceola County Vacation Homes Impact Analysis: Output per 1,000 units OWNERS

| Aggregated Industrial Sectors (NAICS 2 digit) | Direct | Indirect | Induced | Total |
|--|---------------------|--------------------|--------------------|---------------------|
| Total | \$31,501,519 | \$6,023,918 | \$6,346,213 | \$43,871,650 |
| 11 Ag, Forestry, Fishing & Hunting | \$0 | \$9,863 | \$16,075 | \$25,938 |
| 21 Mining | \$0 | \$13,384 | \$6,591 | \$19,975 |
| 22 Utilities | \$0 | \$70,041 | \$38,289 | \$108,331 |
| 23 Construction | \$0 | \$246,888 | \$62,175 | \$309,063 |
| 31-33 Manufacturing | \$0 | \$108,630 | \$71,634 | \$180,264 |
| 42 Wholesale Trade | \$0 | \$40,732 | \$268,807 | \$309,539 |
| 44-45 Retail Trade | \$0 | \$26,556 | \$837,631 | \$864,186 |
| 48-49 Transportation & Warehousing | \$0 | \$174,919 | \$138,852 | \$313,771 |
| 51 Information | \$0 | \$211,536 | \$118,199 | \$329,734 |
| 52 Finance & Insurance | \$4,498,770 | \$1,338,722 | \$335,802 | \$6,173,294 |
| 53 Real Estate & Rental | \$13,543,300 | \$1,172,048 | \$1,716,359 | \$16,431,707 |
| 54 Professional - Scientific & Tech Services | \$4,507,110 | \$752,739 | \$158,407 | \$5,418,255 |
| 55 Management of Companies | \$0 | \$147,194 | \$48,662 | \$195,856 |
| 56 Administrative & Waste Services | \$6,396,560 | \$857,954 | \$131,945 | \$7,386,459 |
| 61 Educational Services | \$0 | \$13,706 | \$81,845 | \$95,551 |
| 62 Health & Social Services | \$0 | \$1,076 | \$1,197,473 | \$1,198,549 |
| 71 Arts-Entertainment & Recreation | \$0 | \$63,335 | \$127,196 | \$190,531 |
| 72 Accommodation & Food Services | \$0 | \$470,835 | \$554,976 | \$1,025,811 |
| 81 Other Services | \$2,555,780 | \$121,879 | \$286,054 | \$2,963,713 |
| 92 Government & Non NAICS | \$0 | \$181,881 | \$149,241 | \$331,122 |

Source: Created by authors based on Impact Analysis using IMPLAN data

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

The direct impact was estimated at \$31.5 million, while the indirect and induced effects were estimated at \$6.0 million and \$6.4 million, respectively.²⁰ These three items spawned a total

²⁰ The induced effects are higher than the indirect effects, because the impact on wages and salaries is more significant than business sales. This higher impact of the induced effects is due to the labor intensity aspect of the tourism industry. That is, payroll is received by employees working in the hospitality industry and supporting industries and is re-spent in the local economy to support their households.

economic impact of \$43.9 million per 1000 units owned. Considering the 21,655 housing units for seasonal, recreational, or occasional use that were reported by the U.S. Census, then the total impact of this segment amounts to nearly \$948 million.

Table 11: Osceola County Vacation Homes Impact Analysis: Output per 10,000 units – VACATIONERS

| Aggregated Industrial Sectors (NAICS 2 digit) | Direct | Indirect | Induced | Total |
|--|---------------------|---------------------|---------------------|----------------------|
| Total | \$82,556,309 | \$14,732,666 | \$19,743,352 | \$117,032,327 |
| 11 Ag, Forestry, Fishing & Hunting | \$0 | \$22,856 | \$49,996 | \$72,852 |
| 21 Mining | \$0 | \$49,219 | \$20,488 | \$69,707 |
| 22 Utilities | \$0 | \$277,379 | \$118,993 | \$396,373 |
| 23 Construction | \$0 | \$687,757 | \$193,444 | \$881,201 |
| 31-33 Manufacturing | \$0 | \$516,870 | \$222,823 | \$739,694 |
| 42 Wholesale Trade | \$0 | \$316,273 | \$835,949 | \$1,152,223 |
| 44-45 Retail Trade | \$13,014,968 | \$157,705 | \$2,607,097 | \$15,779,770 |
| 48-49 Transportation & Warehousing | \$4,142,370 | \$635,103 | \$432,033 | \$5,209,506 |
| 51 Information | \$345,304 | \$862,520 | \$367,522 | \$1,575,346 |
| 52 Finance & Insurance | \$0 | \$933,952 | \$1,044,744 | \$1,978,697 |
| 53 Real Estate & Rental | \$6,058,472 | \$2,060,084 | \$5,340,423 | \$13,458,978 |
| 54 Professional-Scientific & Tech Services | \$0 | \$1,814,608 | \$492,757 | \$2,307,365 |
| 55 Management of Companies | \$0 | \$1,534,334 | \$151,360 | \$1,685,694 |
| 56 Administrative & Waste Services | \$189,027 | \$1,701,413 | \$410,488 | \$2,300,928 |
| 61 Educational Services | \$0 | \$17,904 | \$254,831 | \$272,735 |
| 62 Health & Social Services | \$0 | \$813 | \$3,724,331 | \$3,725,143 |
| 71 Arts-Entertainment & Recreation | \$22,673,298 | \$417,863 | \$395,815 | \$23,486,976 |
| 72 Accommodation & Food Services | \$36,132,870 | \$1,288,008 | \$1,726,262 | \$39,147,140 |
| 81 Other Services | \$0 | \$532,712 | \$889,969 | \$1,422,682 |
| 92 Government & Non NAICs | \$0 | \$905,293 | \$464,027 | \$1,369,320 |

Source: Created by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

The assumptions for the vacationer segment staying at vacation homes were based on a sample of 10,000 units. In terms of direct spending, vacationers spent a total of \$82.6 million with the bulk of the spending occurring in the accommodation and food sector, followed by entertainment and recreation, and retail trade (see Table 11). Because this is a sample of respondents, the total direct spending per person may reveal discrepancies with vacationers' real spending. For example, the direct spending in accommodation based on respondents was estimated at \$36 million per 10,000 units.

The total amount of vacation home units was 21, 655. Therefore, the total direct spending in accommodation based on the survey was estimated at \$78 million. This amount is smaller compared to the \$353 million that was estimated from the room tax paid of \$21.2 million. This discrepancy may be justified by the small sample of respondents (91) in the vacationer segment who participated in the survey. This small sample may have underrepresented the total direct spending in the accommodation sector.

The indirect effects were estimated at \$14.7 million and were concentrated in real estate and rental, professional and administrative services, and management companies. The induced effects were estimated at \$19 million, and the total economic impact per 10,000 vacationers was estimated at \$117 million. The latter had spillover effects, mainly spanning the accommodation and restaurant sector followed by entertainment and recreation, and retail trade. The low multiplier effect revealed in the accommodation sector of 1.1 suggests that the accommodation sector in Osceola County mainly used vendors outside of the county.

The total amount of vacationers staying in vacation homes was estimated at 2.05 million. This amount was derived from the amount of room nights sold based on 73.5 percent occupancy, and the party size derived from the survey. The total room night sold was estimated at 4,346,139.²¹ The direct spending was estimated from the total room tax collected, and totaled \$1.31 billion. However, this figure is lower when the total is derived directly from the survey. According to the survey, vacationers' total direct spending should total about \$2 billion. This discrepancy is due to the small vacationers' sample which may have overrepresented that specific population.²² Considering the estimated amount of vacationers, the total economic impact of the segment is estimated at nearly \$1.9 billion.²³

The last assessed segment was that of the property management companies. The assumptions pertaining to this segment were based on a sample of 10 companies. The direct effects of spending stemming from these companies were estimated at \$25.9 million, while the direct and induced effects were calculated at \$4.1 and \$2.2 million, respectively. Table 11 reveals the impact analysis of this segment. The total impact was estimated at \$32.2 million. Considering that this segment may involve 94 companies operating in the Kissimmee/Osceola area, then the total economic impact that this segment spawned is equivalent to \$309 million.²⁴ Table 12 reveals the results.

²¹ This figure is derived as follows: the total available room night equals to 365 times the amount of units at 21,655. From this total amount of available room nights (7,094,075), 32 nights were occupied by the owners. In addition, only 82% of the total available units were put in the rental pool, which means that the total available room nights was equal to 5,913,114. Only 73.5% of the available room nights were sold which totaled 4,346,139 room nights.

²² The average amount of vacationers who visit Osceola County per day amounted to 81,324. When we multiplied this amount with the daily spending per person (\$138), we got a total spending per day in the county of \$11,222,712.

²³ The amount of \$1.9 billion was derived from the total direct spending of the vacationers, which was estimated at \$1.31 billion million. The multiplier of 1.42 was derived from Table 10.

²⁴ See http://articles.orlandosentinel.com/2014-08-05/news/os-kissimmee-vacation-rentals-20140804_1_osceola-county-experience-kissimmee-private-pools, retrieved 7/11/2016.

Combining the total impact for all three segments, i.e., home owners, vacationers, and property management companies, reveals that the total impact of the vacation home industry would come to \$2.12 billion, which is equivalent to 46.1% of the total county's tourism industry output in 2015, according to the county statistics.²⁵

**Table 12: Osceola County Vacation Homes Impact Analysis: Output per 10 units
MANAGEMENT COMPANIES**

| Aggregated Industrial Sectors (NAICS 2 digit) | Direct | Indirect | Induced | Total |
|--|---------------------|--------------------|--------------------|---------------------|
| Total | \$25,911,283 | \$4,080,278 | \$2,170,935 | \$32,162,495 |
| 11 Agri, Forestry, Fishing & Hunting | \$0 | \$2,297 | \$5,500 | \$7,798 |
| 21 Mining | \$0 | \$11,259 | \$2,256 | \$13,515 |
| 22 Utilities | \$0 | \$106,302 | \$13,111 | \$119,413 |
| 23 Construction | \$0 | \$390,013 | \$21,268 | \$411,281 |
| 31-33 Manufacturing | \$0 | \$74,824 | \$24,509 | \$99,332 |
| 42 Wholesale Trade | \$0 | \$17,252 | \$92,016 | \$109,268 |
| 44-45 Retail Trade | \$0 | \$23,471 | \$286,514 | \$309,986 |
| 48-49 Transportation & Warehousing | \$0 | \$42,824 | \$47,495 | \$90,320 |
| 51 Information | \$0 | \$82,681 | \$40,462 | \$123,143 |
| 52 Finance & Insurance | \$0 | \$399,028 | \$114,847 | \$513,875 |
| 53 Real Estate & Rental | \$25,911,283 | \$1,317,093 | \$587,085 | \$27,815,460 |
| 54 Professional-Scientific & Tech Services | \$0 | \$366,339 | \$54,191 | \$420,530 |
| 55 Management of Companies | \$0 | \$86,159 | \$16,649 | \$102,808 |
| 56 Administrative & Waste Services | \$0 | \$702,888 | \$45,133 | \$748,021 |
| 61 Educational Services | \$0 | \$413 | \$27,985 | \$28,397 |
| 62 Health & Social Services | \$0 | \$10 | \$409,531 | \$409,541 |
| 71 Arts-Entertainment & Recreation | \$0 | \$26,793 | \$43,502 | \$70,295 |
| 72 Accommodation & Food Services | \$0 | \$222,792 | \$189,965 | \$412,756 |
| 81 Other Services | \$0 | \$52,295 | \$97,833 | \$150,129 |
| 92 Government & Non NAICS | \$0 | \$155,547 | \$51,081 | \$206,627 |

Source: Created by the authors based on Impact Analysis using IMPLAN data.

Note: Sectors are aggregated to NAICS 2 digit level. While numbers are in \$, it does not indicate accuracy to that level. The model is not a stochastic one, but deterministic one with fixed inter-industry coefficients.

²⁵ See <http://ekcvb.com/sites/default/files/EKDecember2015REPORT.pdf>, retrieved on July 25, 2016.

6. CONCLUSION

This study provides empirical evidence that supports the growing economic prominence of the vacation home industry in the Kissimmee/Osceola area. The study used the 2008 report entitled *The Economic Contribution of the Vacation Home Segment in Osceola County* as the baseline with which to trace the economic footprint of this industry.

The findings revealed that a vacationer in this segment spent on average more than twice as much as the typical tourist visiting the area. Overall, the spending per day had increased by 75 percent compared to their spending pattern as revealed in the 2008 report. The vacationer spending pattern is different compared to the homeowner segment when the latter occupies the vacation home. For example, vacationers spent more on accommodation and theme parks. On the other hand, homeowners spent more on restaurants and shopping.

The homeowner and property management groups also recognized the magnitude of the vacation home segment, implied by their spending behavior. Significant homeowner expenditures indicated a considerable increase over the 2008 impact, while the property management group revealed growth beyond the 2008 measurement. Thus, the vacation home segment represents 46.1 percent of the total economic contribution of the tourist industry in the county, and nearly 46 percent of the total TDT collected for the county in 2015.

Consequently, as evidenced by the data, this industry continues to establish itself as a clear socio economic engine that drives other economic industries such as real estate, finance, and insurance industries. Because of the significance of the vacation home industry to the local economy, it behooves Experience Kissimmee to continue to increase its institutional and marketing support to maintain the promising growth path of this industry.

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