

SmartMoney

Timeshare Prices Plummet to \$1

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Unable to sell his parents' ocean-front timeshare for the past year, David Suder became so fed up he offered to give it away. They paid \$8,000 for the Orange County, Calif. unit a decade ago, but since there are no willing buyers, and his 81-year-old mother, now a widow, can no longer afford the monthly maintenance fees, Suder says he doesn't have a choice. The San Diego-based real estate investor is offering the unit for free in the hopes that someone will take it before his mother dies. "I don't want to inherit it," he says. "I want it to go away."



While real estate – and even vacation real estate – is starting to show signs of recovery, timeshares remain in freefall. During the first quarter, the number of for-sale-by-owner postings doubled compared to the same period a year ago on RedWeek.com a popular resale site. Another site, SellMyTimeshareNow.com, says owner sales are up 20% during that period.

Experts say even in better times, most sellers never saw a return on their investment. "Very few timeshares increase in value," says Alisa Stephens, executive producer at RedWeek.com. As values sink and desperation grows, the number of owners giving their timeshares away for \$1 – or less — has doubled in the past year, says Brian Rogers, of Timeshare Users Group, an owner advocacy group. "There's never been a worst time to try to sell a timeshare," he says.

Typically found in resorts, timeshares allow multiple buyers to purchase rights to use a property, like a hotel room, suite or condominium, for one to two weeks per year over a long period of time. They appealed to buyers who believed the timeshare's purchase price was lower than the total amount they'd spend for hotel stays on future trips. Timeshare owners could also invite family and friends to stay with them for free.

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Those perks never materialized for many timeshare owners who had to cut back on travel since the recession. Others couldn't afford their timeshares after losing their jobs. Up to 48% of timeshare owners are behind on their annual maintenance payments by at least a year – up from 37% in 2007, according to TimeshareResortCollections.com, which helps resorts to recoup past due payments. The company covers about 80% of the timeshare industry.

To make up for these losses, resorts have been increasing the maintenance fees on the individuals who continue to use their timeshares. Average annual maintenance costs hit an all-time high of \$731 in 2010, up more than 8% from the year prior, according to the latest data from the American Resort Development Association. Experts say those costs are still rising. And for some owners, they're a big reason to sell, says Lisa Ann Schreier, director of Timeshare Insights, a consultant to timeshare buyers and sellers.

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Faced with rising medical bills, John Chase, 62, and his wife decided to sell their timeshare at a megaresort in Orlando. After the listing lingered on the market for two and a half years, the couple chose to give it away just so they could avoid the maintenance fees. Though they bought it for \$4,000 in the late '90s, they ended up selling it for just \$1. Chase says he never expected to sell so low, especially since the sales pitch he received when he purchased the timeshare led him to believe its price might increase.

For their part, resorts are changing their approach to timeshares. Howard Nusbaum, president and CEO of ARDA, says consumers should buy timeshares to use them – not as an investment. Resort developers, he says, are now marketing timeshares to a smaller group of high-income consumers who are more likely to be able to afford timeshares and

who don't need a loan to purchase them. Sales between resorts and buyers totaled \$6.4 billion in 2010, according to the latest data, down 40% from their peak in 2007, according to ARDA. Experts say 2011 data isn't expected to be much better.

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The data is in stark contrast to vacation homes, where demand is rising. Roughly half a million vacation homes sold in 2011, up 7% from 2010, according to data released last week by the National Association of Realtors.

To be sure, some timeshares are retaining values better than others. Owners with timeshares at brand-name resorts are likely to recoup the most, especially if those locations are in areas where real estate supply is limited, like Key West or Myrtle Beach, says Jason Tremblay, CEO of SellMyTimeshareNow.com.

Before selling at a huge loss, timeshare owners might want to consider some alternatives. Stephens suggests renting the timeshare to vacationers at a price that covers the annual maintenance fee but is cheaper than what travelers would pay to stay at a hotel. Or consider asking the resort if it will buy the timeshare back; the price it might offer won't be near what the owner paid the developer originally but could be higher than what other buyers are offering.

Other sellers say they'll hold out until a buyer comes along. Joe Cantu and his wife paid \$15,000 for a two-bedroom suite at a high-end resort in Las Vegas seven years ago. They recently welcomed a new baby, and they've been trying to sell the timeshare. His asking price is \$3,500, but despite the resort's amenities, which include a putting green, sand-bottom pool and in-room massage services, he hasn't received offers close to that in the eight months it's been on the market. "I'll just keep it posted as long as I need to," he says.