

As tourism season begins Ozzie Jurock delivers a reality check on off-shore timeshare deals

Warning on timeshares

A small investor is away on holiday in Mexico or Hawaii, for example, and to kill some time he walks into a timeshare building and finds himself having a vision of owning the suite that is being shown.

At that point run he should run for the hills as fast as he can.

Timeshare units bought on holidays are not an investment. They are almost always a self-inflicted financial wound. To begin with they are not real estate. You own that investment with 51 other investors and you have to ask yourself this question. "What happens if I own the week of July 1-7 and I want to show it to a prospective purchaser in December?" It's going to be very difficult for you to do this when someone else owns that time segment.

An estimated 94 per cent of all timeshare owners never intended to buy in the first place; they are swept away by high-pressure sales pitches and cleverly disguised promotions.

The idea behind a timeshare is simple: for a one-time price plus an annual maintenance fee, you can buy the right to use a given vacation property for a certain amount of time (typically one week) each year. What you may not be told is the extent to which the annual maintenance fee will increase over time. For example, one timeshare owner in Hawaii saw her annual maintenance fees climb 76 per cent in six years. Timeshare operators also may force owners to pay unexpected special assessment fees,

sometimes as high as \$1,000. (In Mexico, we have heard reports of up to \$3,000 per year) While a timeshare has the potential to be a satisfactory arrangement, it often yields a variety of pitfalls and frustrations for the unwary purchaser.

If you own a vacation timeshare be cautious about people offering to help you resell it for a fee. Most of these sales programs are bogus. The market for resales is poor. One recent survey found that only 3.3 per cent of owners reported reselling their timeshares during the last 20 years. Still, desperate to sell, many owners have been taken in by timeshare resale scams. The secondary market operates usually at less than 50 per cent of original value paid; carrying costs can be

substantial, often more than renting a holiday suite. In fact, most resale real estate companies want you to pay up-front for the privilege of listing the unit with them. There are hundreds of scams working trying to get resale owners to pay up to \$500 up front to resell. There are dozens of government sites in the U.S. warning about timeshare and timeshare resales. (Type in "timeshare travel scams, holiday scams, legal scams, resale scams" at www.google.com, and read and weep.)



REALITY CHECK

OZZIE JUROCK

'Mix and match' pitch

The "mix and match" approach of trading spaces also does not work well. Usually resorts reserve the best timeslots for paying guests rather than trade with you. Almost always the resort is in competition with you, offers free dinners and can show units at any time. Think about it: a 200-suite development selling at 50 weeks (assuming two weeks for maintenance) each needs to find 10,000 buyers. They will be selling units against you forever.

Understand that you are buying a holiday, not real estate. So if you buy the rights to use a unit for a week, make sure you like to take a holiday in that unit (used by 49 other couples and their friends every year) in that town, in that development. Work out whether the cost of the week "holiday rental" in your unit is better than just taking a holiday when and if you feel like it. The Disney "point system" Vacation Club is much clearer as to what you are buying, since you are not getting

a set week slot, but an annual allotment of points that you can use all year long space permitting and which can be exchanged. And as a holiday that can make sense.

Timeshare sales in Canada are sometimes covered by provincial consumer protection, in terms of cancelling the contract within a certain amount of time. In most U.S. states, Mexico or other destination resort areas, you could have no protection at all if you suffer buyer's remorse. The legal aspects are generally more complex and expensive when dealing outside Canada.

But investors must understand what they are buying. It will not go up in value. If you absolutely need to buy a timeshare, get a used one. Chances are you get it at half price.

Better yet, don't buy it at all. ♦

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Typical timeshare pitch

A new camera, a free day's rental car, a free gourmet meal — you name it and timeshare sellers offer it.

Many timeshare developers lure tourists to sales presentations by selling tours and activities at highly discounted prices, but provide only vague disclosure of what is required to qualify for the discount deal. (Particularly in Mexico and Hawaii.)

In the usual scenario, the catch for the gift is that you must sit through a presentation about a timeshare vacation property. The presentations vary, but most include high-pressure sales pitches that drone on for hours and leave visitors desperate to get out. Timeshare salespeople frequently go over the advertised time allotted for their presentation and are not responsive if you complain. They sometimes refuse to give the promised gift or discount if you don't buy. Although it may be illegal to not give you the gift or discount, few consumers complain — they just want out.

In his book *Making Money in Real Estate*, Vancouver real estate lawyer Douglas Gray points out that the aggressive sales pitch can be just the start of problems.

"The hard-sell promoters will generally require you to bring your spouse and show your credit card before agreeing to let you into the sales pitch room for the 'freebie.' It is an illusion to think you will get something for nothing. The freebies are generally worth from \$5 to \$10. At best you will be subjected to an intense sales approach. At worst you could be out a \$5,000-\$10,000 deposit charged to your credit card, plus monthly payments over time.

"Speak with at least three other timeshare owners in the project to get their candid opinions. Don't let yourself be pressured. Check with a lawyer and the Better Business Bureau. Remember, act in haste, repent at leisure."