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Sellers Solicited for Unneeded Appraisals

Timeshare owners continue to waste hundreds of dollars each on appraisals demanded by certain Florida resale brokers and required by companies claiming to be interested in purchasing their timeshares “based on appraised value.”

While the requirement of an appraisal, as a condition of accepting a resale listing, has been condemned by the industry, several resale brokers flout the industry guidelines and continue to require an appraisal.

Many resale brokers charge an upfront listing fee, in addition to, or in lieu of, a commission. A few states, such as California, regulate these upfront fees by requiring the resale brokers to carefully account to each selling owner as to how

Fairfield acquired by RCI parent company

Cendant Corporation, parent company of RCI, Century 21 and other real estate, travel and consumer services divisions, has agreed to acquire Fairfield Communities for approximately \$625 million., at least half of which will be in cash paid to Fairfield shareholders.

Measured by its unit owners (more than 324,000), Fairfield is the largest timeshare company in the United States. Fairfield operates 33 resorts in 12 states and the Bahamas. In addition, Fairfield manages owners' associations for numerous resorts.

Cendant's entry into the timeshare industry began with its mid-1990's acquisition of RCI, then a privately-held company, for \$850 million. At that time, Cendant announced the synergy possible between RCI and Cendant's numerous parts, such as Avis car rental and the Century 21 and Coldwell

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the money has been expended in promoting the sale of the owner's timeshare. Several years ago, Florida completely banned resale brokers from charging an upfront listing fee.

As a result of the Florida ban, a few local resale brokers decided they would continue to collect an advance fee by charging owners for an appraisal. After getting wind of this practice, the Resale Committee of the American Resort Development Association (ARDA) adopted a rule barring resale brokers from requiring an appraisal as a condition of accepting a listing. While this rule may control resale brokers who belong to ARDA, the no-appraisal rule is ineffective against brokers who do not belong to ARDA.

When a prospective reseller questions the need for an appraisal, the appraisal is justified as giving resellers a realistic view of what their unit is worth. Of course, as California broker Bryan Wiegand points out, “any broker active in the business for more



than a few months, and familiar with the resorts in its area, can give a prospective seller an idea of what the timeshare week is worth. If the owner insists on listing the unit for an unrealistic price, the broker can simply refuse to take the listing. Just looking at the ads in TimeSharing Today provides some guidance to asking prices at a particular resort.”

One of the most active resale brokers charging an appraisal fee is Century 21 Timeshare Resales in Kissimmee, Florida. Ironically, the Cen-

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Fairfield acquired

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Banker real estate offices. Since then, RCI has promoted its surplus low-priced weeks as incentives for use by other Cendant companies.

Cendant Chairman and CEO, Harry R. Silverman stated: "Fairfield is known throughout the resort industry for its strong management and outstanding sales and marketing capabilities. This acquisition will enable Cendant to expand our timeshare product offerings to our customers: timeshare developers."

There was no statement by Silverman or his counterpart at Fairfield as to what benefits, if any, might accrue to Fairfield's 324,000 unit owners. Some RCI members have expressed misgivings about the acquisition, concerned that Fairfield owners would be given priority in exchanges made through RCI.

Virtually all Fairfield resorts are now affiliated with RCI; only three Fairfield resorts appear in the current II directory and one of those is also affiliated with RCI.

While the relationship between RCI and Fairfield as sister corporations is unique in the timeshare industry, there is some precedent in a somewhat similar situation; Interval International is partially owned by Marriott. II maintains a separate "desk" for Marriott owners who want to make an exchange.

Appraisal Fees

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Century 21 franchise system is owned by Cendant Corporation, which also owns RCI and has just acquired Fairfield Communities, two of the major supporters of ARDA.

A Florida trial level court recently ruled that the appraisal fee charge is not violative of the Florida ban on upfront fees because the brokers can charge for a service (the appraisal) and such charge is not the same as the prohibited upfront fee for taking a listing. As a result, the Florida Century 21 broker is touting the court ruling as additional justification for the appraisal. That court ruling is reportedly now on appeal.

The appraisals requested by Resort Investment Trust and Swiss American Bank are stated to be required so they can make an offer to purchase "based on" the appraisal value. Unfortunately, most people hear or understand "based on" to mean the same as "equal to." In reality, if an offer to purchase is eventually made by these companies (more frequently, prospective sellers report never receiving an offer), the offered price is a fraction of the appraised value.

The appraisals are made for Resort Investment Trust or Swiss American Bank by several companies which charge fees ranging from \$399 to \$469. The appraisal reports themselves would shame any properly

qualified appraiser. For example, a report by Resort Appraisal Services (telephone number now disconnected) for a week at Hyatt Beach House in Key West, Florida, lists 3 other comparable sales at another resort, without any explanation of why resales at the subject resort were not used and with no indication of the dates of the other comparable sales.

Another appraisal, for a week in the desert resort area of Palm Springs, California, was based on comparable sales at three oceanside resorts, even though numerous resales occur in the timeshare-dense Palm Springs area.

Several industry observers believe that the abusive use of appraisals will continue until states enact legislation that controls the situation. They note, however, that companies like Resort Investment Trust and Swiss American Bank can continue to operate from their Bahamian havens without regard to any American state laws which might bar their practice of having prospective sellers spend \$399 or more for an appraisal.

A defamation suit filed by Resort Investment Trust against a New England broker (Cliff Hagberg) who publicized Resort Investment Trust's method of operation is proceeding slowly. According to Hagberg, the case is still in the pretrial discovery phase and no trial date has yet been established.

The advice from a number of prominent timeshare resale brokers is for sellers to stay away from any broker or prospective buyer who says the seller needs to secure an appraisal.

According to these brokers, an appraisal is simply not needed in connection with a listing, because the broker should be able to let a seller know what he can expect to get for the week. And, they continue, any bona fide buyer will make its own determination about the value of a timeshare week, not require the seller to pay for an appraisal from a designated source.

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