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3rd Home lets owners exchange vacation properties

Many second-home owners make very little use of their properties. The exchange service gives members variety and flexibility.



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By Lew Sichelman

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Reporting from Washington— If there is one drawback above all others about owning a vacation home, it's that you're stuck going to the same place year after year.

Well, "stuck" may be too strong a word. But you are limited. Unless you have the wherewithal to travel at will anywhere you like, you are pretty much restricted to that one spot.

Or at least you were until 18 months ago, when a fledgling exchange service for second-home owners called 3rd Home opened for business in Nashville.

A Web-based company, 3rdHome.com is in its infancy. At last count it had just 300 members who had listed 400 properties. But what properties they are.

They range in value from \$500,000 to more than \$25 million, including a villa in Villefrance-Sur-Mer on the French Riviera; a mountainside home — five bedrooms, five bathrooms and five fireplaces — in Big Sky, Mont.; a 12-bedroom oceanfront manse in the Dominican Republic; and a 43,000-square-foot monster in Costa Rica.

Although most members' second homes are in the U.S., the listings feature homes all over the world. "We have a good base of members in close to 60 countries," said Terry Weaver, a 3rd Home partner

who is the company's chief sales officer.

One of Weaver's partners in the venture is Wade Shealy Jr., a longtime resort real estate specialist who had a go at this idea 15 years ago when he started Vacation Link, an exchange service that allowed people to use their second homes as collateral to travel the world.

At its zenith, Vacation Link listed more than 1,000 properties. But it was a paper-based business, and the cost of running it became prohibitive, even with annual membership fees ranging from \$195 to \$495, depending on the value of the property. So Shealy shut down the company about a decade ago.

Still, the idea makes sense. "A second home is one of the most underutilized assets people own," Shealy said.

Owners of the country's 7.9 million seasonal or year-round but occasional-use dwellings make very little use of their properties, according to the latest Census Bureau figures.

The data are a little tricky because not all of these properties are vacation homes per se. But in 2009, 1.25 million of the 4.6 million seasonal properties were occupied by their owners for no more than a week. And 3.5 million were rented for a week or less.

Similarly, of the 3.3 million year-round properties, more than half were used by their owners for a week or less, and two-thirds were rented for seven days or less.

With the growth of the Internet, swapping vacation homes has become a lot simpler. So Shealy and his partners are giving their idea another shot.

"It's all automated now," Weaver said. "It's so much easier."

But not cheaper. It costs \$495 a year to belong. And a property has to be worth at least \$500,000.

3rd Home has competitors. But for the most part, those are direct, yours-for-mine exchange services. An estimated 50,000 families throughout the world trade mostly primary residences every year. But finding exact matches — not just the right place but also the right time — is a labor-intensive, time-consuming task, even with the help of an exchange service.

But 3rd Home is indirect, meaning a member isn't limited to using the second home of only those people who find the member's place appealing. And it eliminates all the heavy lifting.

The system works very much like time sharing. Members "deposit" whatever weeks they'd like in their place. And depending on what the house is worth, they receive a key they can use to "buy" weeks elsewhere. If a house is worth \$1 million or less, the owner gets one key. If it's worth \$1 million to \$2 million, the owner gets two keys. If it's worth \$2 million to \$3 million, the owner gets three keys, and so on up to five keys.

Once keys are received, they can be used instantly in any combination. A one-key owner, for example, can use the key to nail a week at a similarly valued one-key property. Or the owner can grab a four-key property by giving up five weeks at his or her single-key place. For each exchange, though, a member has to pay an additional \$495.

An owner doesn't have to wait until another member reserves time in the vacation home to use keys. And there's even a "Watch This Property" feature that notifies members when weeks are deposited for a property they particularly covet.

"Pretty easy," Shealy said. "And lots of flexibility."

Not only that, but it is also remarkably self-regulating. Members agree to classify their properties accurately based on their value. 3rd Home reserves the right to reclassify a property if it is found to be overvalued by its owner, and the service also maintains the right to terminate anyone who doesn't represent the quality of their place honestly.

"We trust members to set a proper value, which is what the place would sell for in the next six to 12 months," Weaver said. "We can usually tell if it is reasonable."

Owners also are required to be certain that the appliances are in working order, the utilities turned on and insurance is in place. Visitors are responsible for any damages and can be expelled from the program if they fail to act properly and respect their host's property.

So far, Shealy said, no one's been booted from the program. No owner has misrepresented his or her property, and no guest has trashed an owner's property. "Everybody respects everybody else," he said.

According to Shealy, the idea of swapping vacation homes is gaining favor not only among owners but also developers and property managers, some of whom are joining 3rd Home to use the service as a marketing tool.

For example, Ritz Carlton Residences in Vail, Colo., a full-ownership project with apartments ranging in price from \$3 million to \$10 million, is giving existing owners a 3rd Home membership and offering a membership as an incentive to future buyers. Also, 3rd Home members can trade into an unsold Ritz Carlton condo.

And Auberge in Palmetto Bluff, a highly rated vacation spot in Bluffton, S.C., near Hilton Head, is offering a 3rd Home membership to any owner who signs up with the management company.

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