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The Realtors Canadians Trust
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Volume II Edition IV

The market has finally bottomed out

The Phoenix area – which areas are right for you

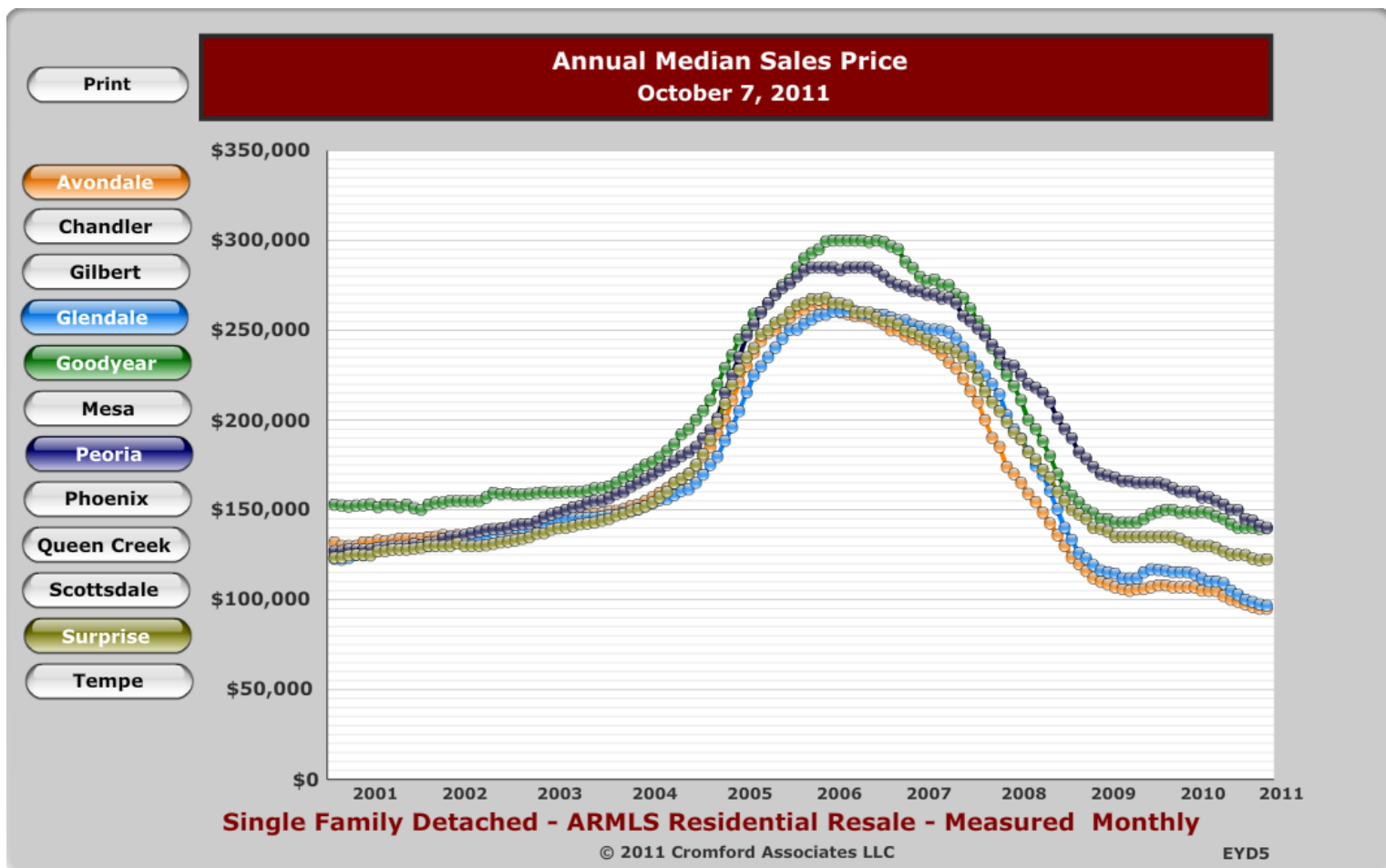
One of the most frequent questions people ask us is where should I buy? This is completely understandable since most of our clients have never been to Arizona or don't know it well.

The single biggest factor in pricing in real estate is location. Given this fact, a buyer's budget will often determine which areas will best suit their needs. Let's look at the Greater Phoenix area broken down by pricing.



The chart below is for the West Valley areas of Peoria, Glendale, Surprise, Avondale and Goodyear. These areas have many newer subdivisions with affordable single family homes and some condo developments. Homes here are typically purchased by first time home buyers and represent great value with homes selling for \$50 per square foot or less. They also make great rental properties as many of the strategic defaults (whereby home owners are walking away from their homes because they are worth less than half of what they paid for them and can rent for a lot less than their mortgage payment) are taking place here. The

West Valley has some great golf course communities such as Estrella Mountain in Goodyear and Vistancia in Peoria and Glendale is home to the Phoenix Coyotes and Arizona Cardinals .



For a medium sized, 1500 sf 3 bedroom home built in the last 10 years, prices start as low as \$70,000 in towns such as Avondale and Glendale with a median home price of \$100,000.

In Surprise, prices start as low as \$80,000 with a median home price of \$125,000 and in Goodyear and Peoria, prices start at about \$90,000 with a median home price of \$150,000.

For more information on what these areas have to offer, follow the links below:

[Avondale](#)

[Goodyear](#)

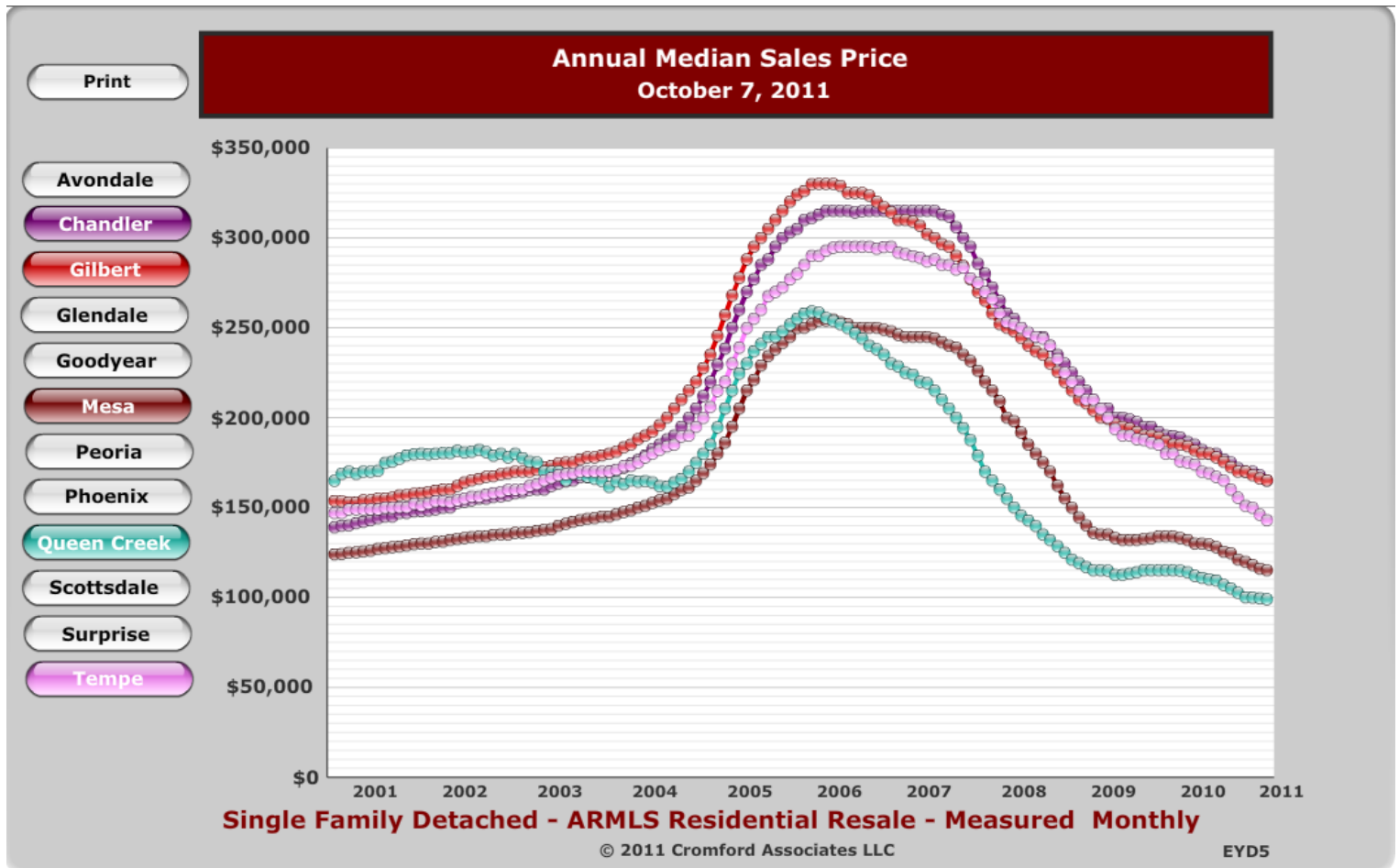
[Peoria](#)

[Surprise](#)

The south valley areas such as Chandler and Gilbert are “move up” communities with many homeowners in the medical, scientific and engineering professions. Home prices here start at about \$100,000 with a median sales price of \$150,000+. Large employers such as Bank of America, EBay, Banner Health Care and Intel who are building a new 1,000,000 square foot – 3 billion dollar manufacturing facility in Chandler. Lake front properties are popular here and the rental market is very strong with higher rents and professional tenants. For more information on what Chandler has to offer, follow this link [Chandler](#)

The city of Tempe is home to Arizona State University (ASU) and The Mill Avenue District which is Tempe’s unique pedestrian-friendly downtown that captures the spirit of this college town. . The housing market here is dominated by condos with single family home prices starting at about \$100,000 and 2 bedroom condos at about \$70,000. The median price of a home in Tempe is just under \$150,000. Many students and faculty from ASU live and rent homes here. For more information on what Tempe has to offer, follow this link [Tempe](#).

The town of Mesa is one of Phoenix’s original suburbs and as such contains a mix of housing from Mobile Home parks to newer luxury home communities such as Las Sendas. Single family homes here start at about \$80,000 and newer, 2 bedroom condos at about \$60,000. Median home prices in Mesa are about \$120,000. . For more information on what Mesa has to offer, follow this link [Mesa](#).



The north east valley is home to the communities of Scottsdale, Carefree and Fountain Hills. These communities are favoured by many second home buyers because of the beautiful desert views, top golf courses, shopping and restaurants. Single family homes start at about \$150,000 and 2 bedroom condos at about \$70,000. Homes in these communities are very popular as vacation rentals and we have many clients using their homes a few weeks a year and renting them as furnished rentals here as they are in high demand. For more information on what these communities have to offer, follow the links below.

[Carefree](#)

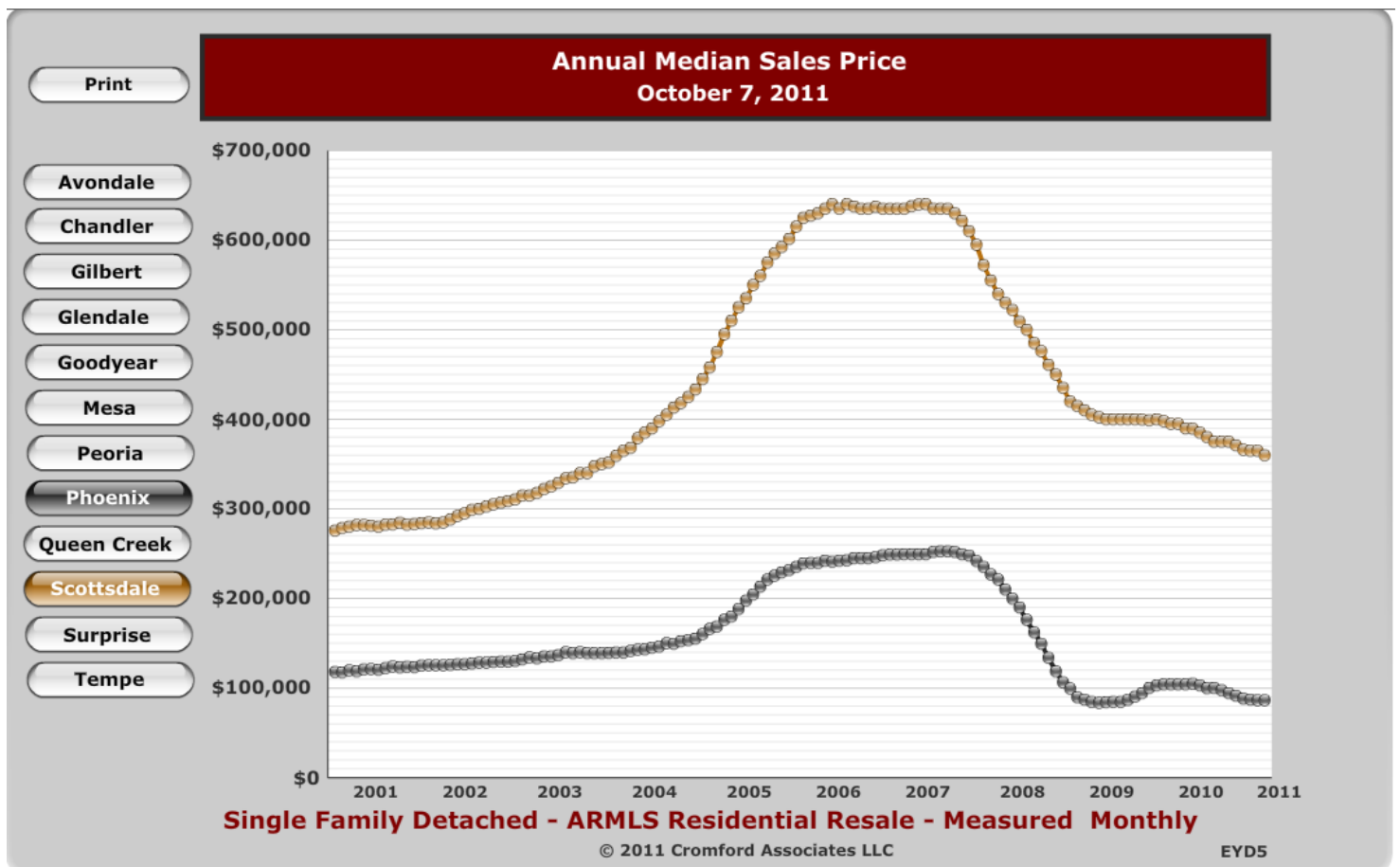
[Fountain Hills](#)

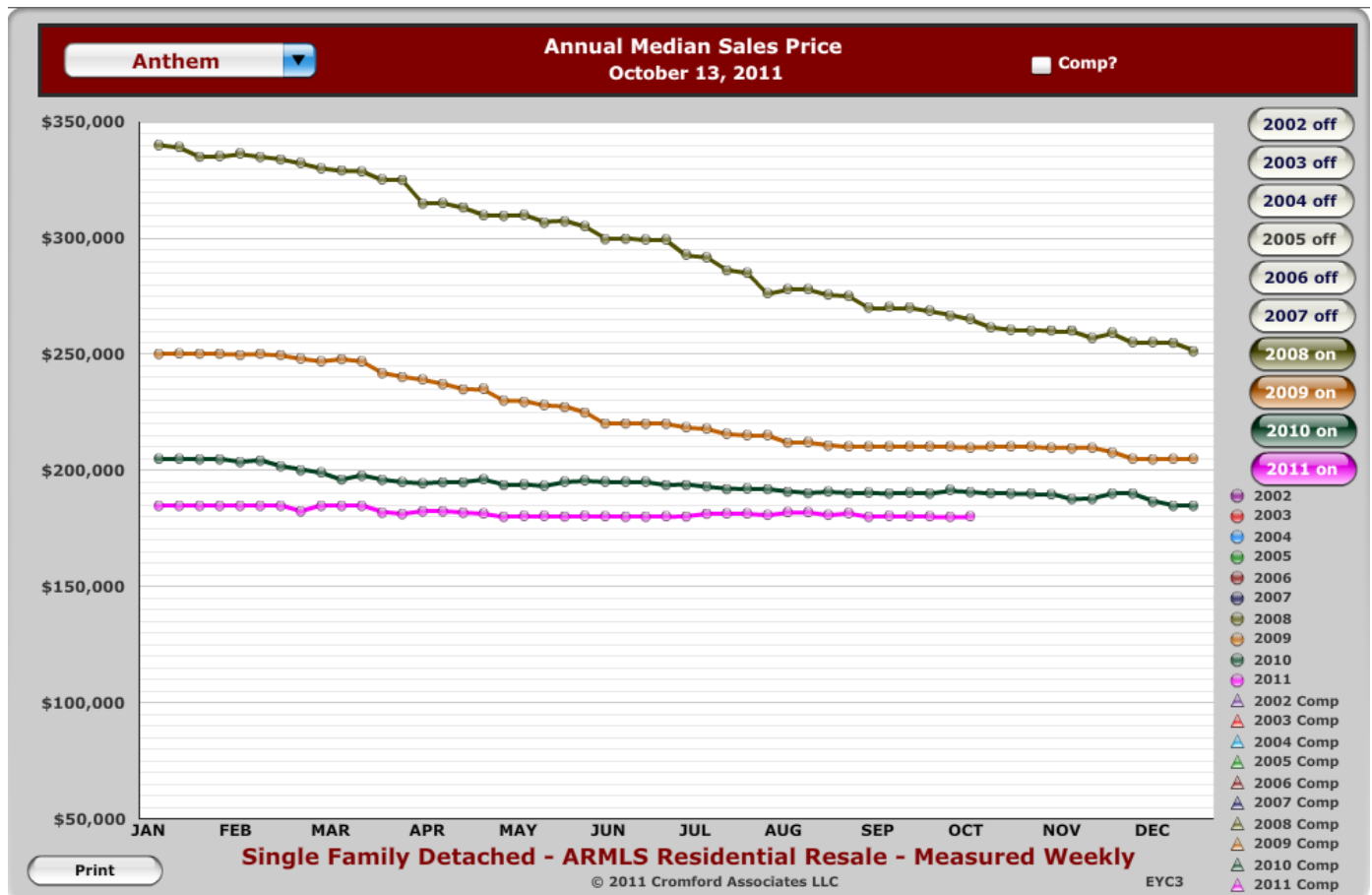
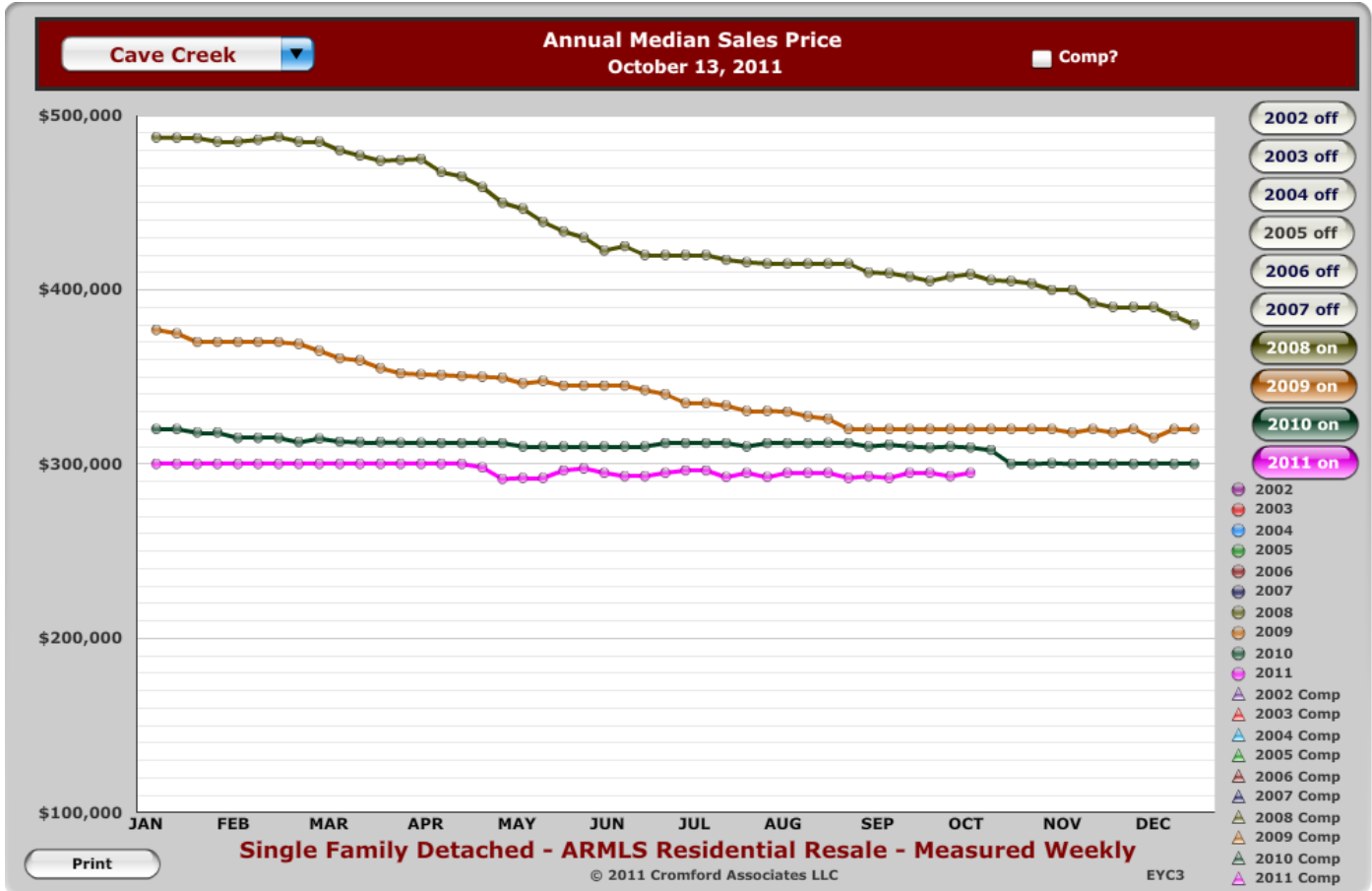
[Scottsdale](#)

The North Valley is the newest area in Phoenix and includes the towns of Cave Creek and Anthem. Cave Creek is a desert community with mostly single story homes built in the last 25 years. Single family homes start at about \$160,000 and condos at about \$120,000. Anthem is a beautiful desert community nestled up against Daisy Mountain and was voted America's top Master Planned Community in 2001. For more information on what these communities have to offer, follow the links below.

[Cave Creek](#)

[Anthem in North Phoenix](#)





Market Summary for the Beginning of October

Sales volumes dropped in September while supply failed to decline for the first time since December 2010. To compensate we saw positive pricing movement for the first time since the second quarter.

REOs (bank owned properties) are losing market share very quickly now. Fewer trustee sales are taking place. There were 2,689 residential trustee sales in Maricopa County during September 2011, 44% fewer than the 4,808 of September 2010. In addition a larger percentage of these auctions are now won by third parties (42% in September 2011 versus 20% a year ago) and are not being listed on MLS by the banks. So the quantity of homes reverting to the beneficiary (banks) is dropping extremely fast. Only 1,280 single family homes went back to the lenders in Maricopa County in September 2011. This is the lowest total since November 2007. It is also 61% lower than the 3,289 that they received in September 2010. They are selling far more than this number through ARMLS each month and so the lenders' inventory is being rapidly depleted.

It is a clear sign of the strength and dominance of negative sentiment that this remarkable turn round is mostly overlooked. At the same time, a completely irrelevant increase in foreclosures between July and August (due entirely to August having 23 trustee sale days instead of July's 20) managed to make headlines in the local papers. When bad news is amplified like this and good news is ignored we know sentiment has swung too far.

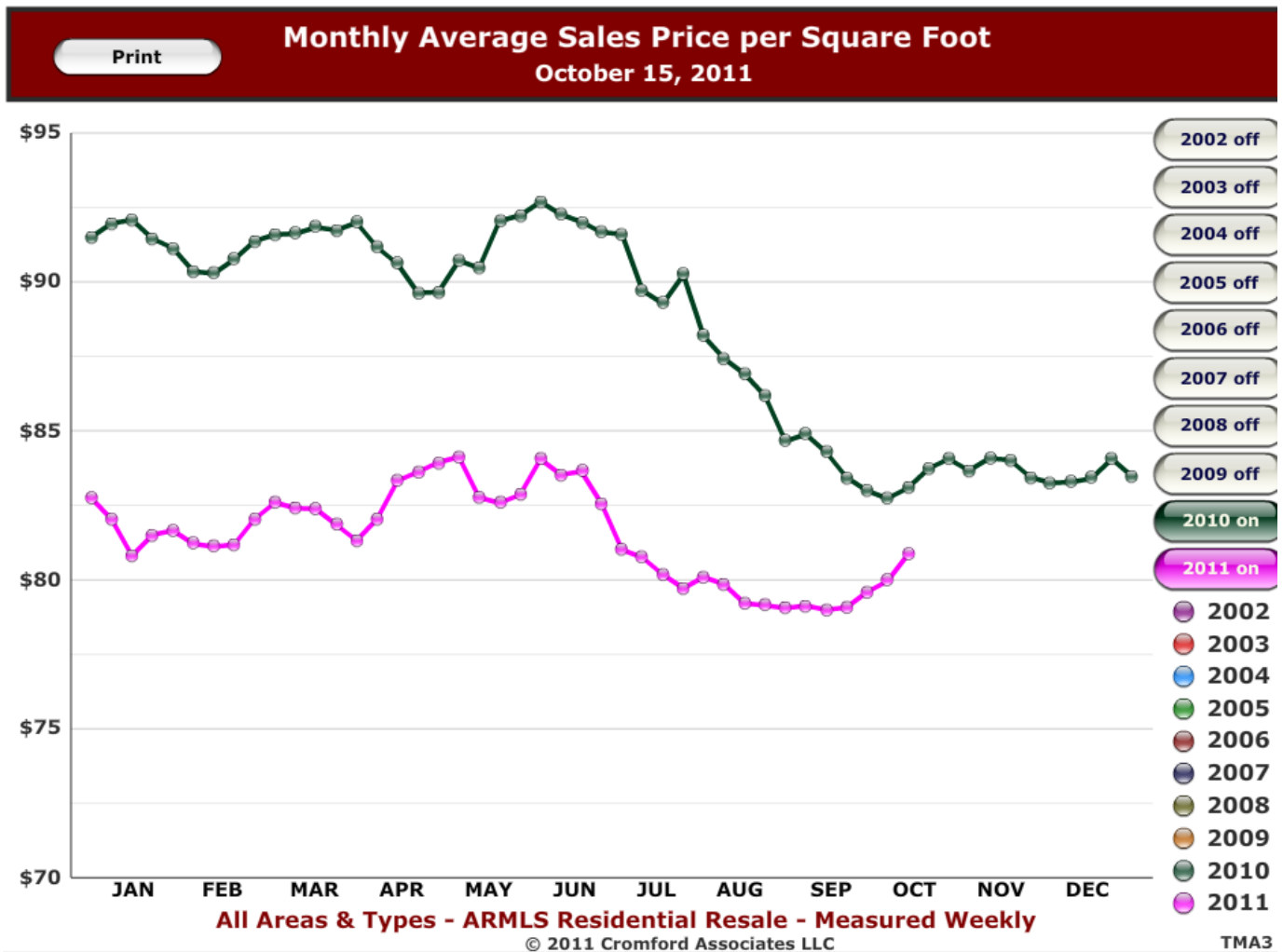
For the housing doom fans who like foreclosures, September 2011 was a pretty dismal month. There were a total of 4,544 new notices issued in Maricopa County of which 4,335 were residential. This is 39% lower than September 2010. This new number is actually slightly higher than April through July 2011, but 15% lower than last month and lower than every month prior to April until we get all the way back to December 2007. The downward trend has slowed but remains in place. The bigger news is that there were only 2,840 trustee sales of all property types. This is 44% down from September 2010. This is also the lowest number since March 2008 (except for November 2010 when Bank of America completely halted its trustee sales). Foreclosures are clearly well past their peak and the short sale is looking likely to overtake the foreclosure in the coming months as the primary mechanism to resolve homeowners' financial distress.

Pricing

After hitting a low point in late August and again in mid-September, pricing is on a slight upward trend again. The monthly median sales price has climbed from \$107,000 on August 18 to \$114,950 on October 3 (all areas & types). That's a 7.4% increase in less than 7 weeks and illustrates how violently the monthly median sales price reacts when REOs start disappearing from the mix and increasing in price at the same time. For Greater Phoenix REOs the monthly median sales price has jumped from \$80,000 to \$86,400 in the same period, an 8% increase. Pricing for short sales and foreclosures has not followed suit and neither have sales prices for normal sales. In fact pricing has been a little weaker at the higher price points cancelling out some of the gains at the bottom of the market. The overall average price per sq. ft. is up only modestly. Having hit a decade low of \$78.51 per sq. ft on

September 15, we are now looking at \$79.81 per sq. ft. for October 3, a bounce but not a very convincing one. The most encouraging sign is that the pending \$/SF has finally started to change direction and is moving up again after trending downward for a prolonged 15 month period since May 2010.

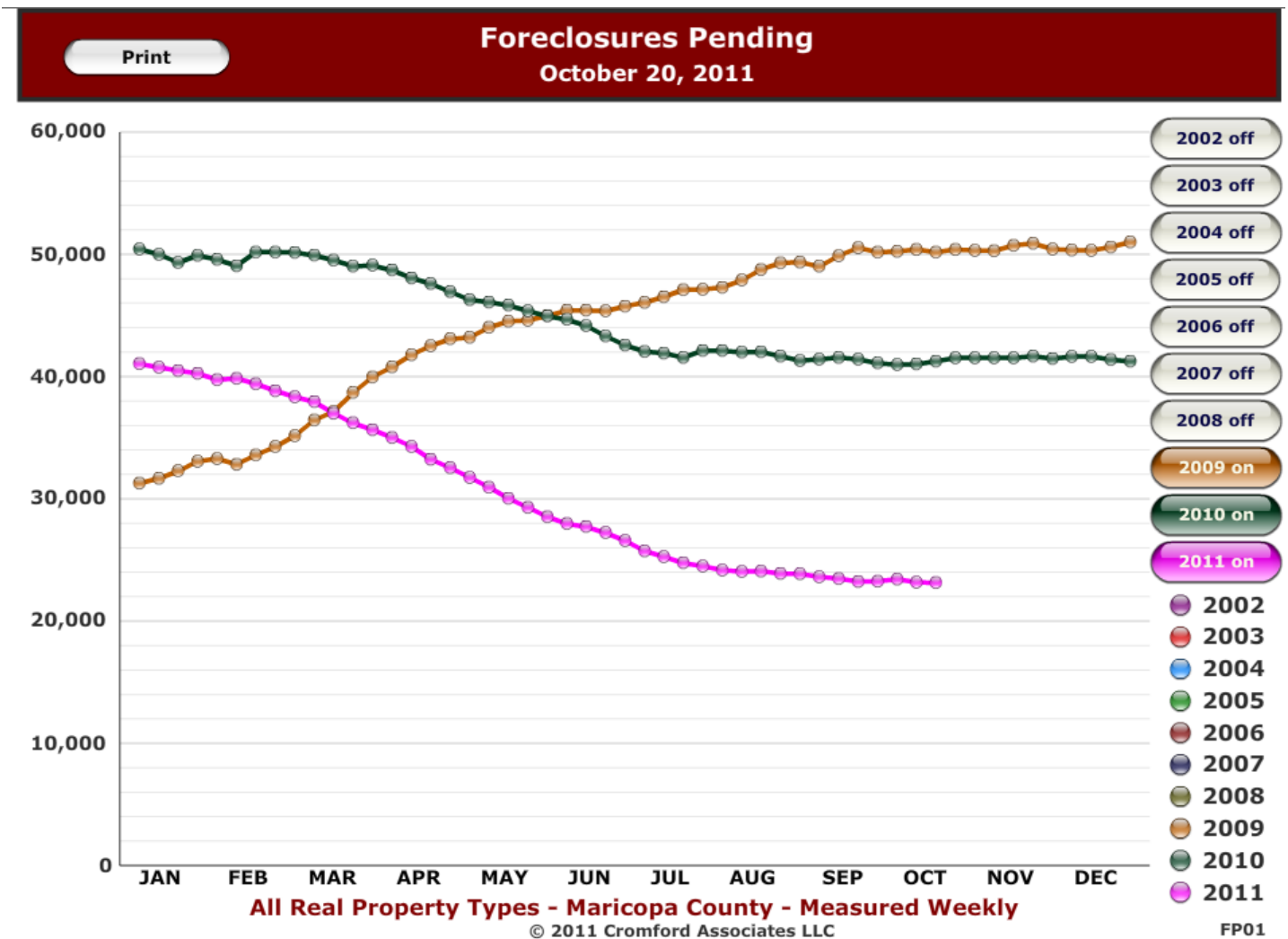
For the monthly period ending October 15, we are currently recording a sales \$/SF of \$80.85 averaged for all areas and types. This is almost 3% higher than the \$78.74 we now measure for September 15. Pricing (as measured by \$/SF for all areas and types) hit bottom in the second half of August and again in the first half of September but has been moving steadily upwards since then.



The following line chart shows the inventory of properties in foreclosure on a weekly basis from 2008 onwards. The inventory of foreclosures pending represents the number of properties which are scheduled for sale by the trustee at some point in the future.

Inventory is increased by 1 whenever a notice of trustee sale is issued. Inventory is reduced by 1 when a trustee sale is cancelled. Inventory is also reduced by 1 when a trustee deed is issued to either a third party or the beneficiary (i.e. the lender). If the trustee deed is issued to the beneficiary then this adds 1 to our REO inventory and it no longer counts as a foreclosure pending.

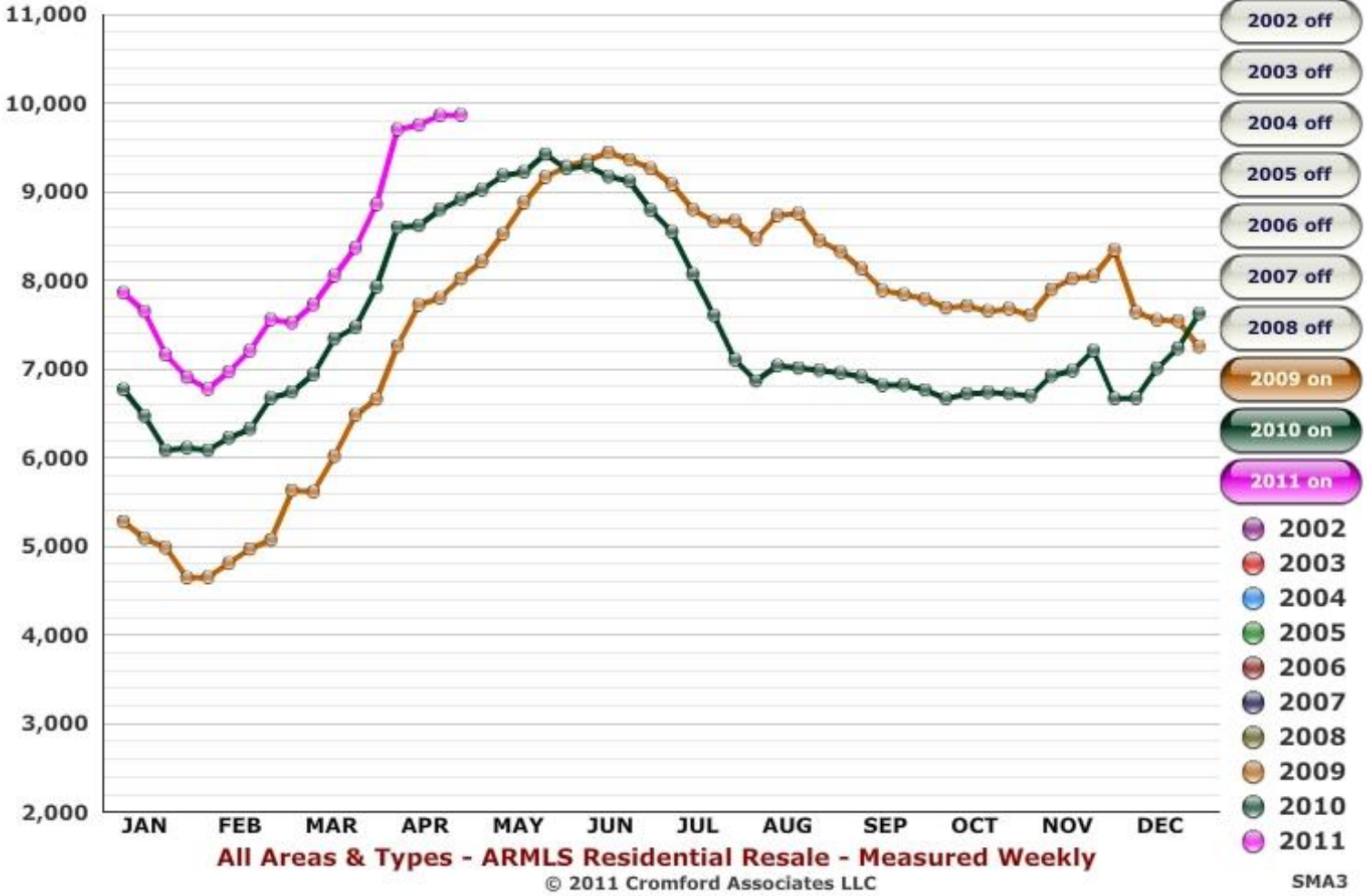
The data is for the county of Maricopa and includes all real estate property types, including land and commercial. A commercial parcel counts as 1 foreclosure even if there are multiple structures within that parcel.



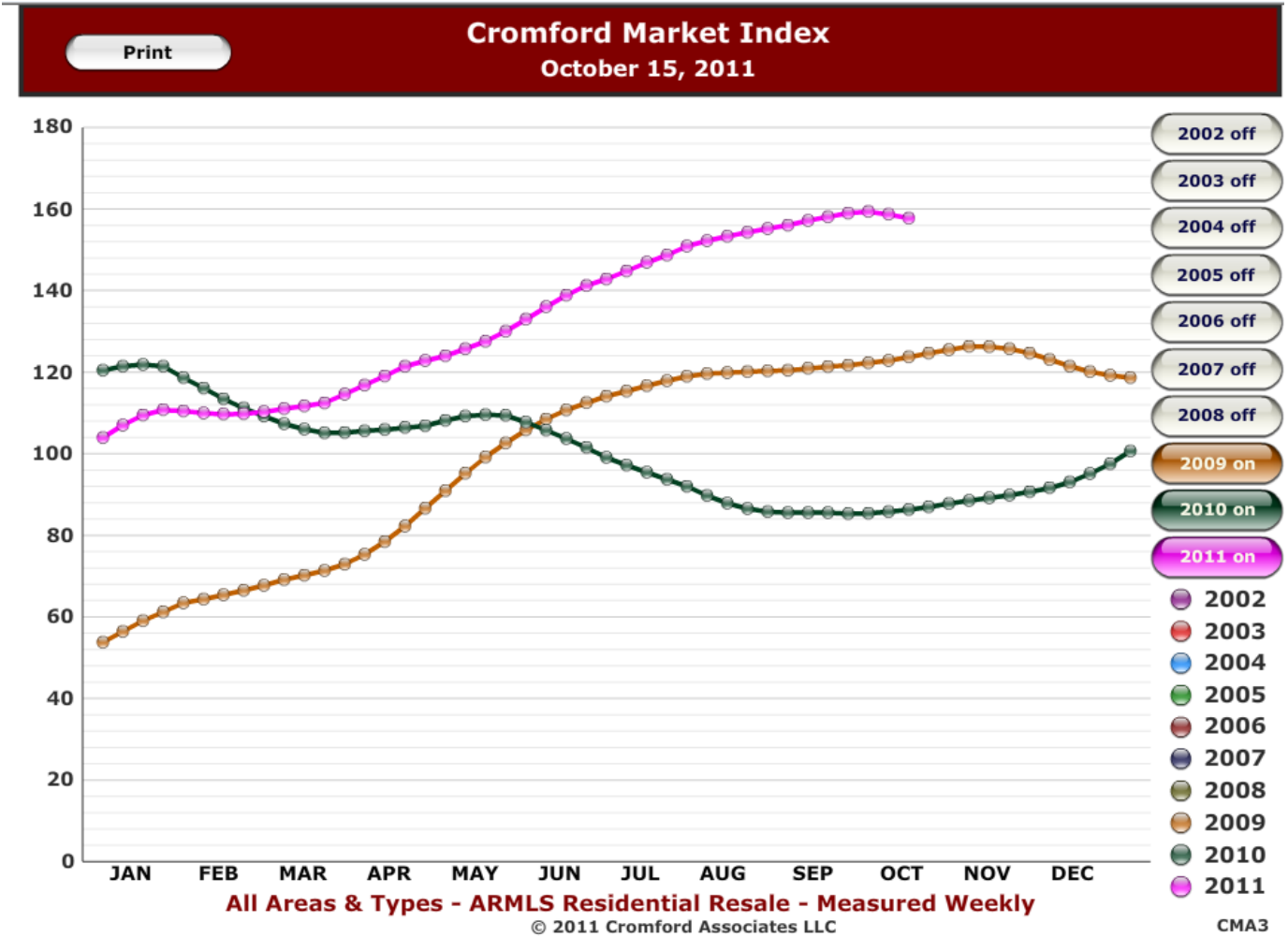
Print

Sales per Month

April 30, 2011



The **Cromford Market Index™** is a value that provides a short term forecast for the balance of the market. It is derived from the trends in pending, active and sold listings compared with historical data over the previous four years. Values below 100 indicate a buyer's market, while values above 100 indicate a seller's market. A value of 100 indicates a balanced market



Information provided by the Cromford Report

Where is the market heading

Where are we now?

- Home ownership rates dropping
- Rental demand rising
- Tight and damaged credit
- Poor economy, high unemployment
- Historically low interest rates
- Highly valued Canadian Dollar
- Foreclosures driving prices down well below replacement costs

What will things look like in 3 to 5 years?

- Foreclosures become smaller part of the market
- Prices rise towards replacement cost
- Employment and migration to Arizona increases
- Interest rates rise to more historical norms
- Canadian dollar returns to more historic value?
- Credit standards ease somewhat and damaged credit is repaired. U.S. borrowers getting financed again
- Pent up demand for housing in areas with
- Increasing populations and strong job markets result in significant long term price increases

New Home Building Lags Population

Housing starts by year

YEAR	2007	2008	2009	2010 (Forecast)	2011 (Forecast)
Housing Starts	1,340,000	900,000	550,000	680,000	950,000
Cumulative Surplus/Deficit*	+1,020,000	+320,000	-730,000	-1,650,000	-2,300,000

**Based on 1.6 million housing starts to accommodate typical U.S. population increases, and starting with a 1,280,000 surplus in 2006.*

Source: Canadian Real Estate Magazine November 2010

Steps in the Buying Process

- **Determine primary use for the home**
- **Arrange financing**
- **Determine price range**
- **Determine best locations and amenities desired**
- **Get set up on a listing search**
- **Plan trip to view homes (2-3 days minimum)**
- **Write a Purchase Offer**
- **Negotiate and Write Counter Offers**
- **Open Escrow with Title Company**
- **Wire Earnest Money Deposit**
- **Setup U.S. bank account**
- **Home Inspection/ Issue Request for Repairs**
- **Order Homeowner's Insurance Policy**
- **Wire closing funds**
- **Close Escrow**
- **Set up home**
- **Contract for Property Management if appropriate**

Services we provide our Canadian clients

- **Specialists in Vacation homes and vacation rentals**
- **Investment properties – Rental and Lease Option**
- **Investment Pool**
- **Trustee Auction services**
- **Property Management**
- **Financing for Canadians**
- **Cross Border Tax and Estate Planning**
- **Home and Auto Insurance**
- **House sitting services**
- **Lawn and Pool services**
- **Home renovation**
- **Listing services**

We have been featured in major media stories in Canada in the Toronto Star, Globe & Mail, CBC National News, CTV, Canadian Real Estate Magazine, The Business News Network and in the U.S. on Fox News, NPR Radio, USA Today and The Arizona Republic.