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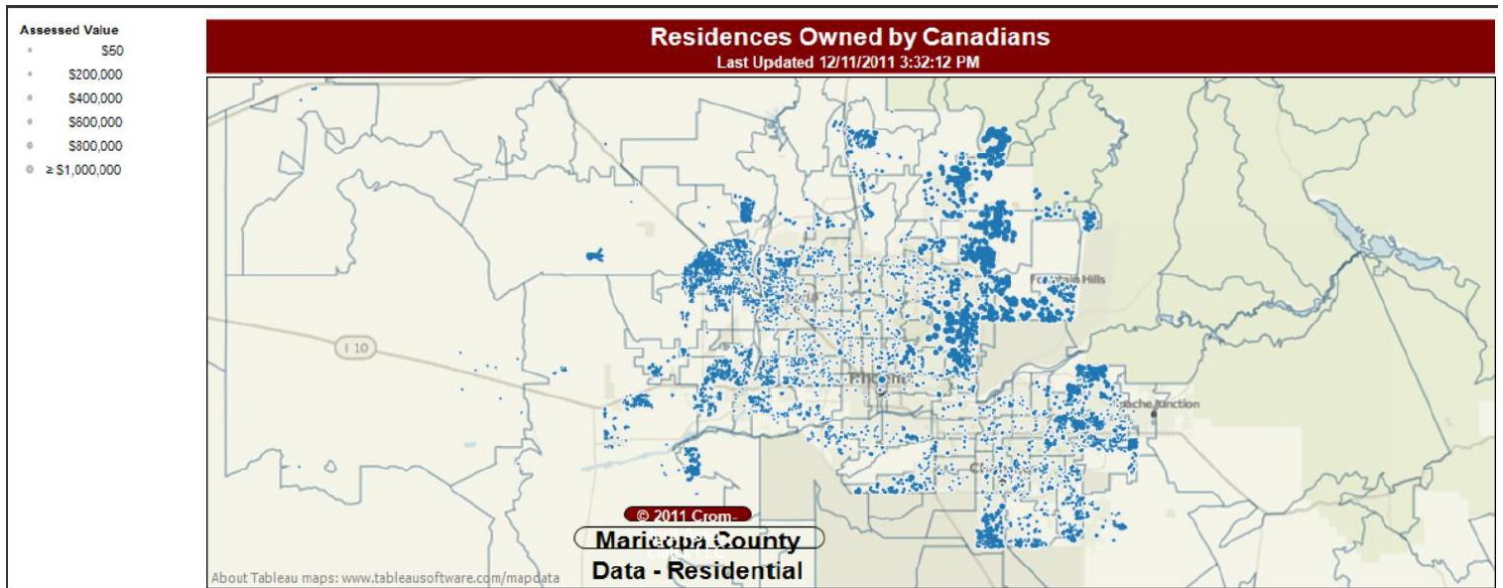
Volume III Edition I

2011 Year end Recap

What will 2012 Bring?

Financing for Canadians

Where are Canadians Buying in the Greater Phoenix area?



As you can see from the map above, Canadians own a lot of real estate in the Greater Phoenix Area. Canadians accounted for 4% of all real estate purchases in the GPA and while this may not sound like a lot, this is 10 times the percentage of purchases Canadians accounted for in 2003.

Activity has been concentrated around the perimeter cities where crime is lowest and homes are newer. Areas of concentration include the East Valley cities such as Scottsdale and Fountain Hills, North Valley areas such as Cave Creek, Carefree and Anthem, West Valley cities such as Surprise, Goodyear and Avondale as well as South Valley cities of Queen Creek, Maricopa, Chandler and Gilbert.

Foreign buyers account for 25% of the real estate purchases in Arizona and Canadians are the largest nationality in that group accounting for roughly 26% of foreign purchasers.

2011 Market Review

2011 went out with a flourish because December's sales totaled 8,107 for all areas and types of sales. This is 16.3% higher than November and the highest sales total since August.

Among the 8,107 sales we currently have are 2,174 REOs (Bank owned) and 3,219 normal sales for Greater Phoenix. The normal sales count is the strongest since June and very impressive. The short sales count at 2,642 is the highest ever in history. The REO sales count at 2,174 is slightly up from November, but otherwise the weakest since May 2008.

We can safely conclude that demand remains strong, because not only do we have a good sales count, but our pending listing (homes under contract) count is the highest it has ever been for the beginning of January. In addition, the active inventory has started to fall steeply again, down 7% in the last month and down 42% compared with this time last year.

Average sales pricing per sq. ft. has been on an upward trend since September 15, but is taking a breather at the moment. The effect is due to a large batch of low priced short sales in the last 2 days of December. With REO prices going up and short sales prices coming down, this change in the mix is to be expected, especially with new REO supply very limited. The 5.7% rise in average \$/SF over the 3.5 months since September 15 is not a pace that can be sustained without more positive public sentiment towards housing. However if that positive sentiment change does occur, it is possible that this could create a feedback loop generating another rapid rise in pricing. There is very little supply to meet any increased demand from ordinary owner occupiers.

A temporary rise in completed trustee sales (through the foreclosure process) saw 2,848 recorded in Maricopa County in December, an 11% increase over November. This rise is of no statistical significance and is due to the one-time bump in Countrywide Financial loans that were given foreclosure notices en-masse by Recontrust (a Bank of America subsidiary) in August. No doubt this increase will get plenty of comments in the media when it is reported elsewhere in a few weeks. The 15% drop in new notices of trustee sale is of more significance, 3,539 being the lowest number recorded in Maricopa County since November 2007. I wonder if that will get reported anywhere? If it does it will be a sign that sentiment is at last starting to improve to follow the technical market improvements that started 13 months ago in December 2010.

It is now obvious that September 15 - now measured at \$78.83 per sq. ft. - will remain the \$/SF pricing bottom over the near term. The lowest monthly average sales price is \$151,000 and this was measured on August 25. However the record low monthly median sales price is still standing at \$107,000 and this record was set ten months ago on February 24. Our current monthly median sales price is back up around \$117,000 and we will not be seeing \$107,000 again anytime soon.

Information provided by The Cromford Report

What will 2012 Bring?

Preliminary Annual Statistics

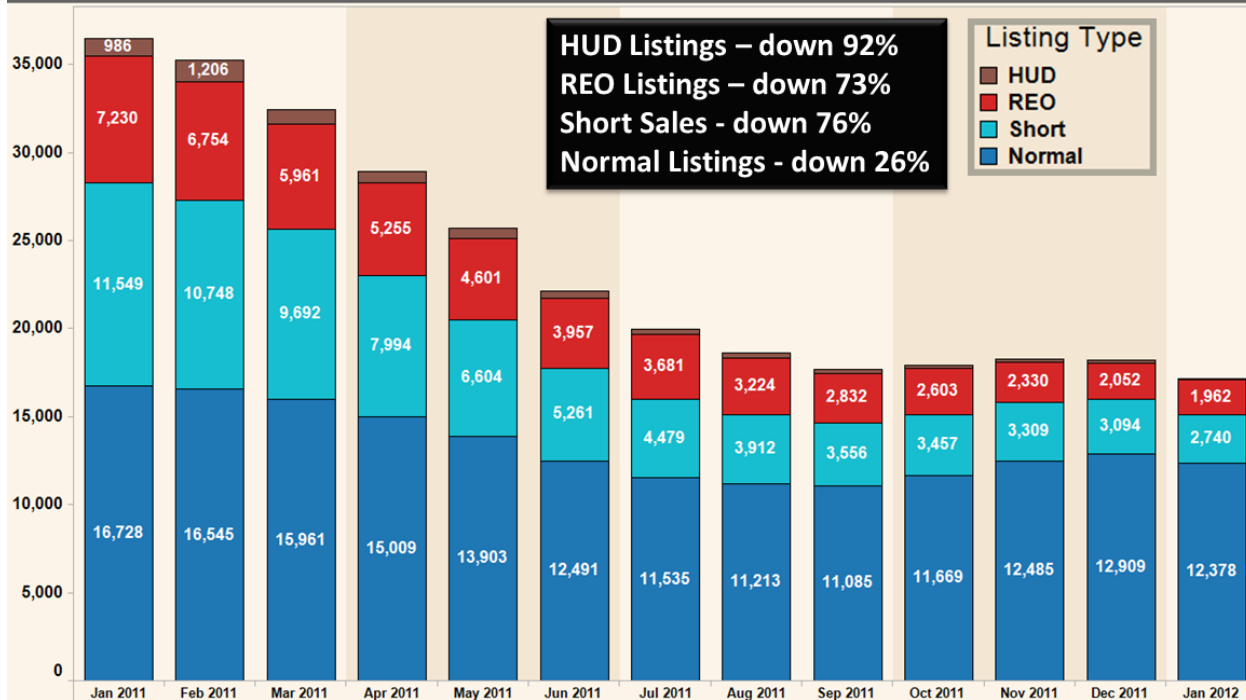
Greater Phoenix - ARMLS	2011	2010	2009	2008	2007
Sales - All Types	99,940	89,443	91,060	58,388	53,061
Sales - Single Family Detached	84,598	75,204	80,313	51,409	43,062
Sales - Apartment Style	4,981	5,049	3,412	2,089	2,832
Sales - Townhouse	6,834	5,787	4,699	2,841	4,250
Annual Average \$/SF - Sales	\$81.58	\$87.86	\$87.61	\$123.92	\$174.78
Appreciation - Annual \$/SF	-7.1%	0.3%	-29.3%	-29.1%	-4.6%
Appreciation - Annual Median \$	-10.7%	-1.5%	-33.9%	-24.4%	-2.9%
Average Sale Price % List	96.11%	95.68%	95.91%	95.36%	95.93%
Dollar Volume	\$15,663M	\$15,194M	\$15,380M	\$14,406M	\$17,882M
Annual Average Price - Sales	\$156,729	\$170,251	\$168,898	\$246,731	\$336,540
Annual Median Price - Sales	\$110,000	\$123,120	\$125,000	\$189,000	\$250,000
Sales - Lender Owned	42,222	40,118	52,685	25,038	2,262
Sales - Short Sales & Pre-foreclosures	23,373	19,047	12,603	3,731	541
Sales - Normal	34,345	30,078	25,772	29,619	50,331
Maricopa County	2011	2010	2009	2008	2007
Foreclosure Notices	56,996	84,106	103,341	79,227	30,170
Trustee Sales	44,852	52,391	50,584	40,433	10,000
Trustee Sales to Beneficiary	29,513	41,506	43,377	38,660	9,236
Trustee Sales to Third Party	15,339	10,885	7,207	1,773	764
Total Sales	94,471	86,735	92,586	70,226	89,246
New Home Sales	5,851	6,297	8,231	14,639	29,886
Resales	88,100	80,438	84,355	55,587	59,360

Three important trends developed in 2011:

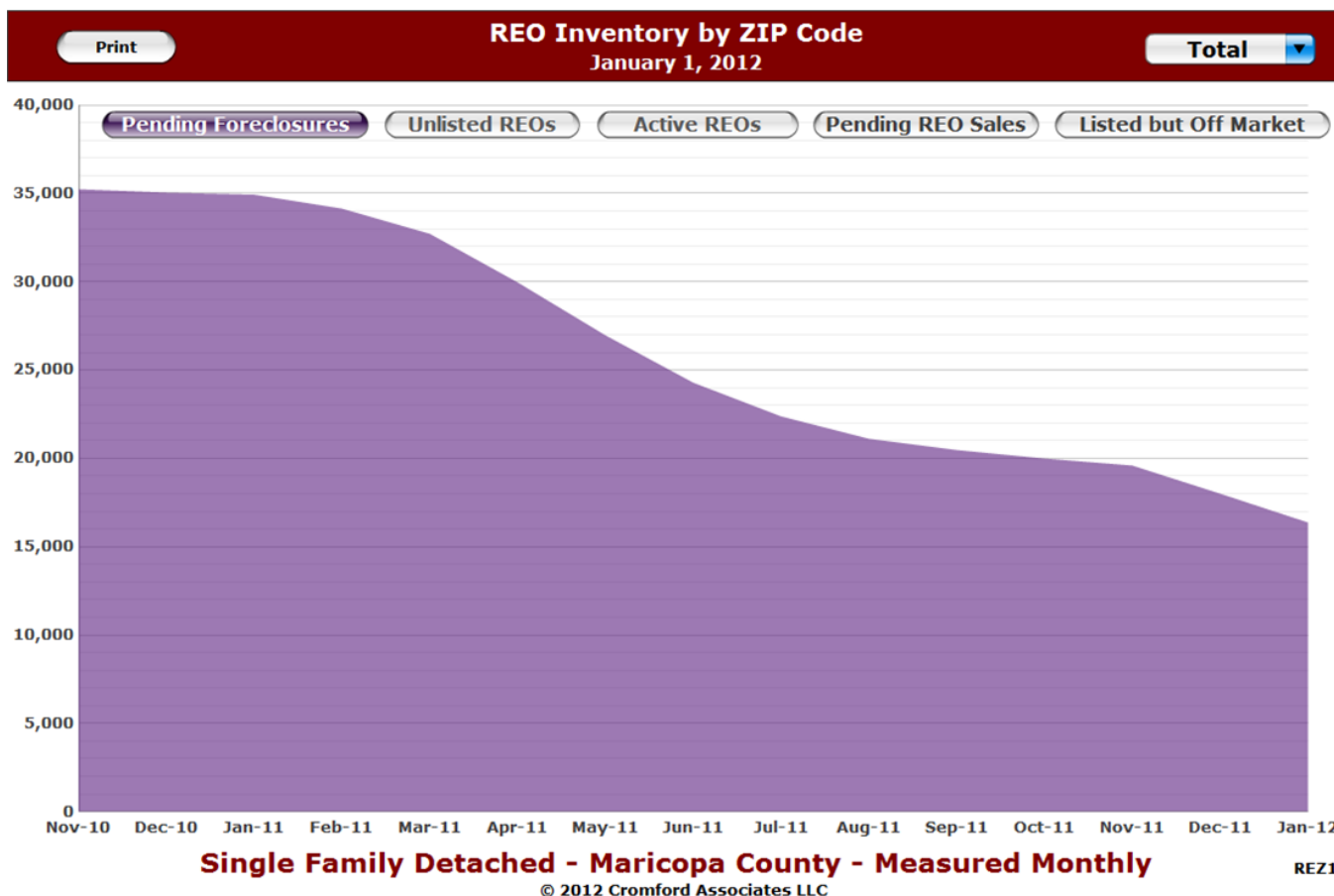
1. The number of homes purchased at 99,940 was one of the highest on record and the highest since 2006 when home prices peaked.
2. The number of foreclosure notices issued at 56,996 continued its decline and was the lowest since 2007.
3. The mix of homes listed on the MLS is moving away from bank owned properties and short sales to normal owner listed homes as evidenced by the chart on the next page. The overall effect of this is that the more homes sold by individuals - (normal sales) and not by the Federal Government (HUD or Department of Housing and Urban Development), and the banks (REO and Short Sales) - the fewer distressed sales there are at lower prices. This why we have started to see an increase in prices overall in the market and especially in the lower price ranges.

Active Listings (Excluding AWC) Greater Phoenix - All Types - ARMLS Residential Resale

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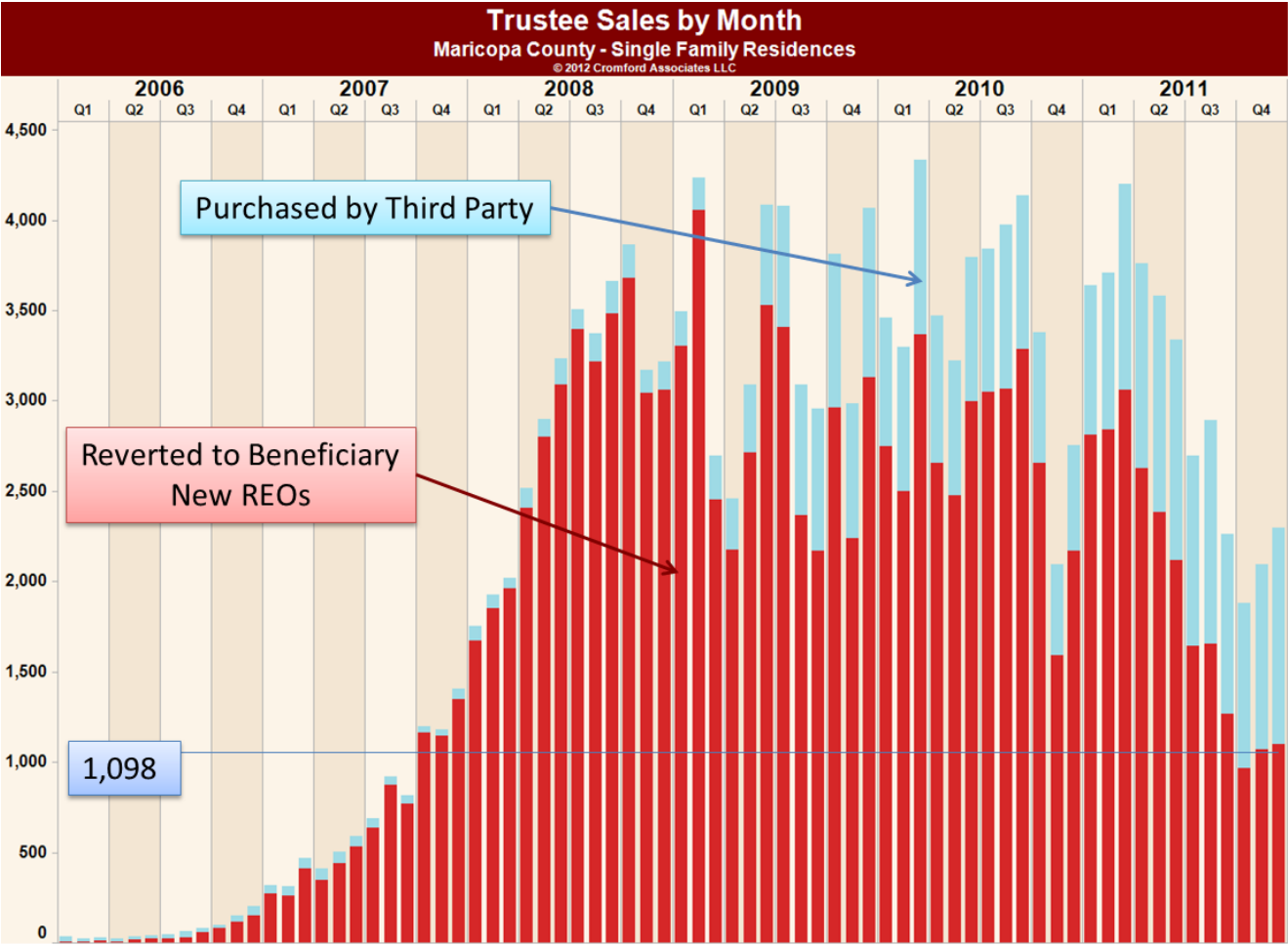


As mentioned, the pricing increase is greatly influenced by the dramatic decrease in bank owned properties over the last 12 months as seen in the chart below.



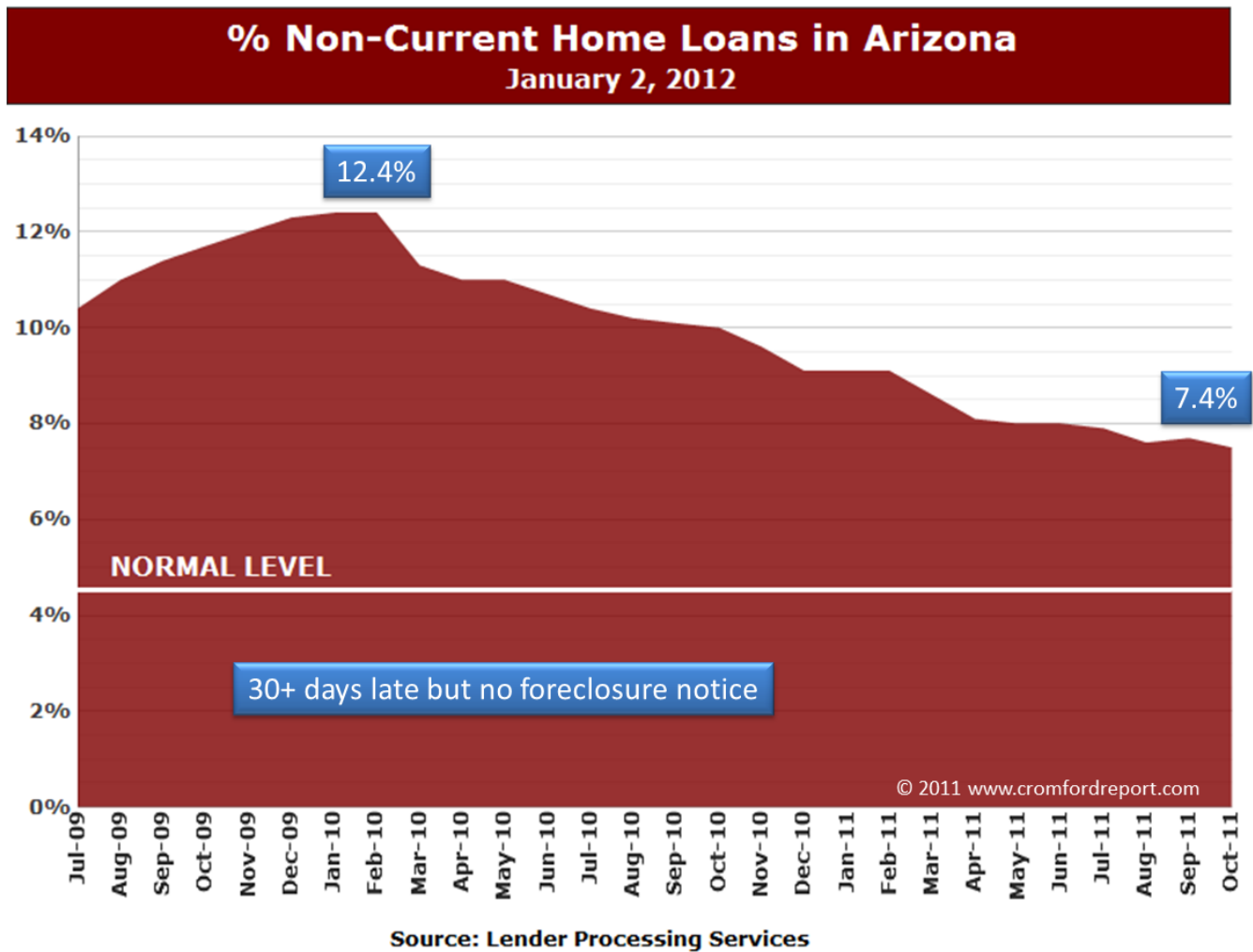
In order for a bank to foreclose on a property, they must issue a Notice of Trustee Sale to the home owner. Assuming the mortgage is not brought up to date by the home owner, the bank will then schedule the home to be sold at a Trustee Auction. The bank may choose to keep the home and normally do this by setting the reserve bid at the amount owned to them on the property or sell it at a lower amount to a third party. In the former case, the home will then normally be listed on MLS as an REO (bank owned) property. In the latter case, the home will be purchased as a distressed property and the new owner will likely renovate the home and sell it as a fix and flip on MLS or through a wholesaler.

As you can see in the slide below, while bank purchases at Trustee Auctions have decreased from a high of more than 4,000 in 2009 to 1,098 in December of 2011, third party purchases have increased slightly during this same period. Fewer bank owned and more third party owned properties results in rising prices.



The infamous Shadow Inventory Factor

But what about the so-called shadow inventory or delinquent loans that have not received a Notice of Trustee Sale yet. From the slide below, you can see that the percentage of delinquent mortgages has dropped by over 40% in the last two years so therefore it is likely that bank owned properties will become less of a factor in the market and price increases will continue.



One thing confusing investors is news about the U.S. Real Estate market. The major problem with the predictions coming out in the media is that there is very little correlation between what is happening nationally or in one particular market to another. There many differences from State to State such as the foreclosure process, the job market, the ratio of rents to purchase prices etc. the inventory levels etc. For example, Arizona which was one of the big four (Florida, Nevada, California and Arizona) states hit hardest by the sub-prime housing bust, is now recovering faster than most States in the U.S.

Arizona Ranking

February 2010

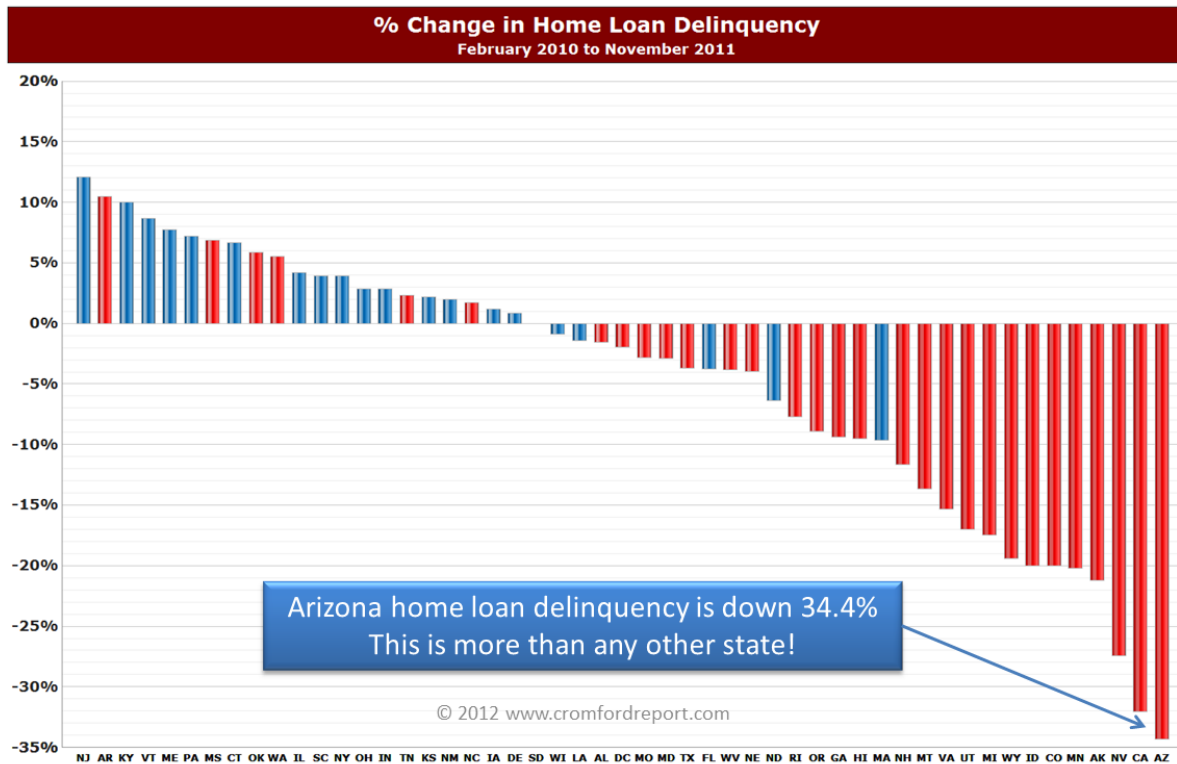
November 2011

- Non-current home loans
 - # 3 (after FL, NV)
- Late but not in foreclosure
 - # 6 (FL, NV, GA, MS, MI)
- In foreclosure
 - # 4 (FL, NV, NJ)

- Non-current home loans
 - # 27
- Late but not in foreclosure
 - # 29
- In foreclosure
 - # 23

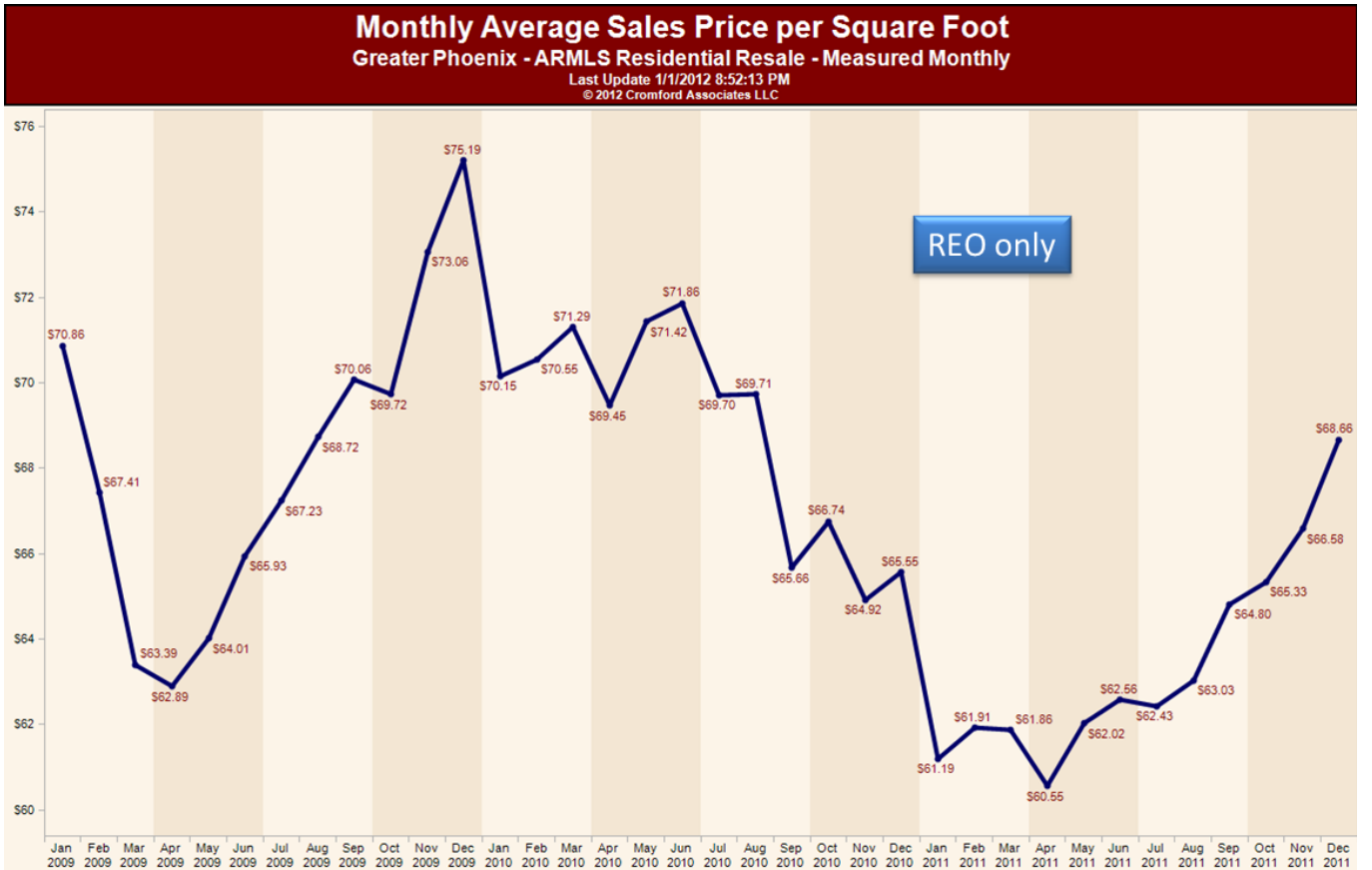
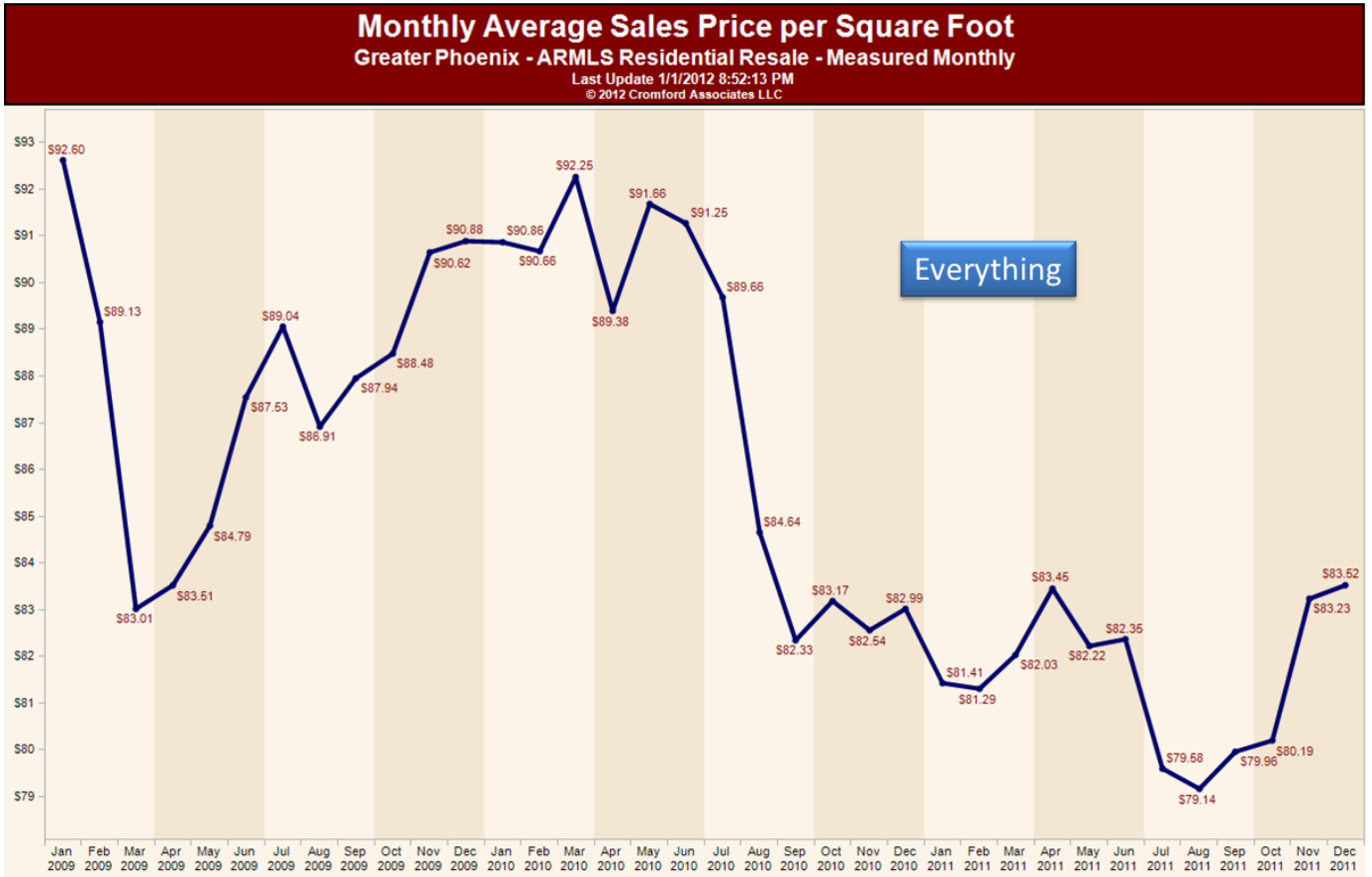
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In the last 20 months, Arizona has shown very positive growth in its housing market compared to other parts of the U.S. In fact, it has improved more than any other State.



Source: Lender Processing Services Mortgage Monitor

Home prices have increased by about 6% since August.

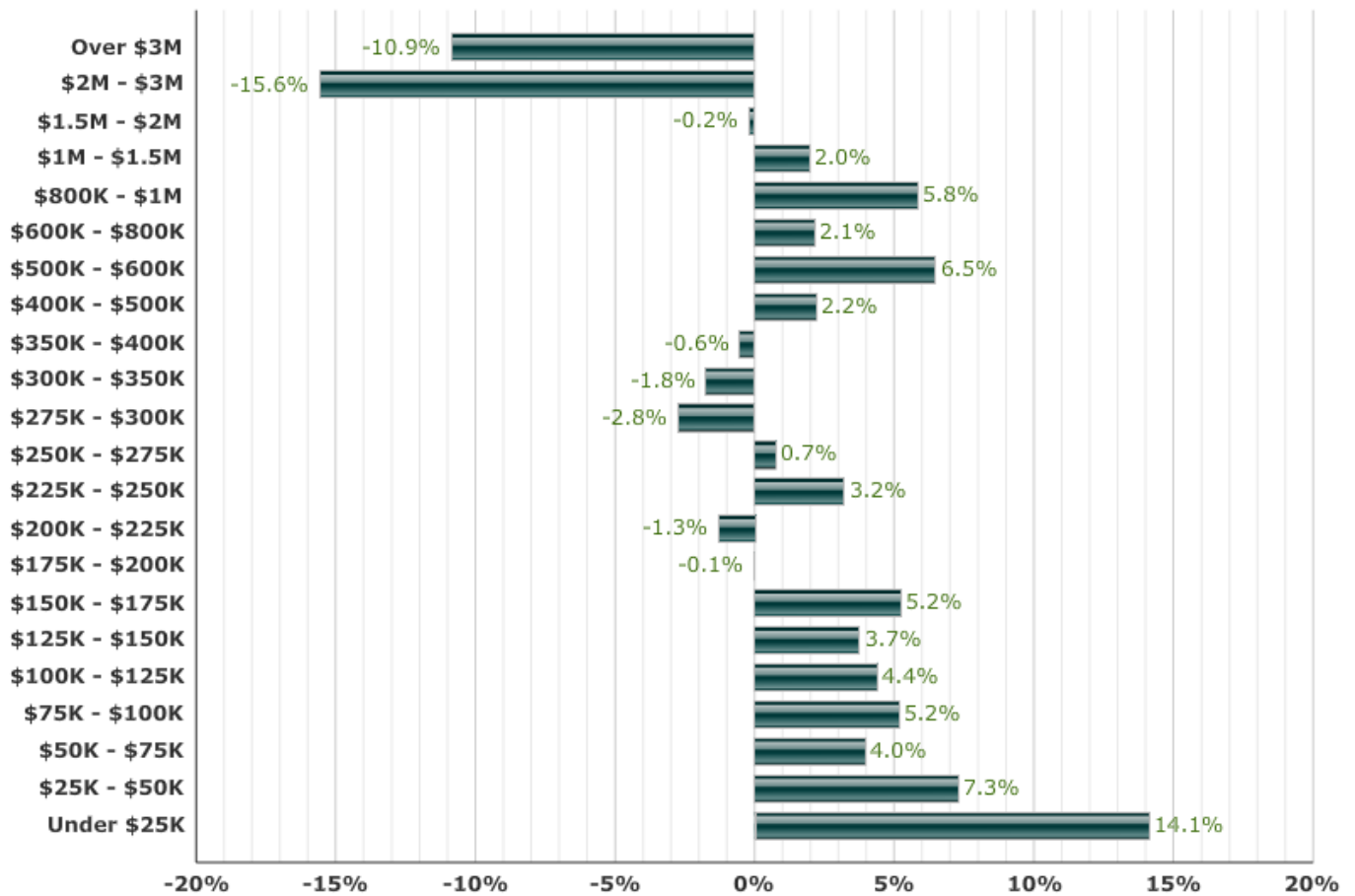


The biggest increase is in Bank Owned properties which have increased by more than 13%

How much homes have appreciated in the last 12 months depends upon what price range they are in. The highest appreciation rates are at the lowest price points because of their desirability to investors and cash buyers. Second homes in the \$400,000 to \$1,500,000 price range have also done well because these buyers can either pay with cash or are benefiting from the low 30 year fixed interest rates available for owner occupied homes.

Annual Appreciation by List Price Range
 January 1, 2012

[Print](#)



Single Family Detached - ARMLS Residential Resale - Measured Monthly

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What does this all mean to the Canadian home buyer? A few things:

1. Home prices in the Greater Phoenix area have bottomed out and started to rise. For those who have been sitting on the fence, you may have missed the market bottom but there is still incredible value and a good inventory of homes available.
2. Take advantage of a strong rental market. Net returns of 6-8% on a passive investment with high appreciation potential.
3. Resale homes typically sell for 85% of new build construction prices in Arizona. With many homes now selling at 50% of new build construction prices, there is an opportunity to realize a substantial gain (up to 70%) when prices return to these historic norms. I am not referring to the inflated prices that we saw in the 2005-2006 period, just the historic norm for resale homes.
4. The affordability of homes in the GPA is at its lowest in over 30 years. The only things holding back the domestic buyer is poor credit. Over the next 5 years, Phoenix area residents who have lost their homes will start to get approved for financing again and this added demand will result in a surge in home buying activity which should further fuel the housing market.
5. With **30 year fixed** rates at the lowest level in history, we can help you finance a second home for rates that we may never experience again in our life time and you will not be subject to the increase in Canadian rates that is sure to come. For those investors who wish to finance purchases in the U.S. we have several lenders financing Canadians with competitive variable and fixed rate options.
6. The Phoenix-Mesa-Glendale unemployment rate is currently at 7.7% which is below the national average of 8.5% and well below other major Sunbelt cities such as Las Vegas Nevada at 12.5% and Tampa, Florida at 10.3%.
7. The Canadian dollar has remained strong and has significant buying power for U.S. Real Estate compared to any time in the past thirty five years.
8. There may be turmoil in the financial markets but people will always need a place to live. The idea of home ownership is not going away and U.S. real estate fundamentals are more solid than corporate balance sheets and sovereign debt.
9. There may be more risk investing in Canadian real estate at present with the risk of rising interest rates on the horizon and lack of affordability according to most experts in the field.

Watch the interesting video below for a perspective on why now is a great time buy U.S. real estate.

<http://www.youtube.com/watch?v=5e2GxpFZgxw&feature=youtu.be>

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.