



Arnold Porter
arnie@arizonaforcanadians.com
1-877-294-2367 (AZ4-CDNS)

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www.ArizonaforCanadians.com

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Many Canadians have been educating themselves on the great opportunities in real estate south of the border. Articles, blogs, and U.S. Realtors have all been talking about cheap real estate, low interest rates, the high Canadian dollar (now worth \$1.03 U.S.) and the once in a lifetime opportunity that convergence of these three factors represent. Let's look a little more closely at what all this means.

Where to Buy

Many Canadians have been to Florida or Arizona. As a result, these two states are attracting the most interest from Canadian buyers. Canadians now represent by far the largest group of foreign buyers of Arizona real estate. Statistics quoted in the press suggest that Canadians are involved in 20% of the real estate transactions in the state. Why are Canadians choosing Arizona?

1. The warm consistent weather. Winter weather in Arizona is characterized by blue skies, warm sunshine and low humidity. Normal

daytime temperatures are in the low to mid 20's with less than 1 inch of rain per month.

2. Arizona has seen the price of real estate drop over 50% since the peak in June 2006. Contrast that to the historical average annual increase of 7% per year since 1980 and this market has nowhere to go but up over the medium to long term. The Phoenix area had the highest population growth in the U.S. in 2005 and 2007.
3. The cost of home ownership is low in Arizona.
 - a. Property taxes are the same for all classes of home owners (contrast this to Florida where out of state residents pay triple what Florida residents pay) and typically are about .7% to 1% of assessed value of the property.
 - b. Home insurance costs are low due to the consistency of the weather and lower cost of construction. Home insurance for a typical 1500-2000 sq. ft. house including contents can be found for \$500-\$600 per year. Contrast this to Florida where it is difficult to get coverage against hurricanes (damage by wind or rain) and the premiums are extremely high.
 - c. Home Owners Associations (HOA) fees are typically less than \$100 per month.
4. Arizona is characterized by vast open spaces. Not only does this mean less traffic, pollution and crime than many states – it also means that they build out rather than up. You won't see high rise condos and office buildings all over the place blocking your views and you won't find condo developments with a high number of vacancies due to overzealous builders and speculators. Condo projects are typically low-rise two to three story structures with 4-6 units per building and 10-20 buildings per development. Facilities vary, but most projects have heated pools and spas, fitness facilities and outdoor basketball or volleyball courts and BBQ areas. HOA costs are low and HOA balance sheets are strong because of lower vacancy rates than many states. Contrast this to Florida where HOA fees are high and assessments to owners are common due to the high vacancy rate in the thousands of

projects throughout the state. There may be great prices to attract buyers but the ongoing cost of ownership may be prohibitive.

What is your primary use for the home?

1. Do you want a vacation home to escape the Canadian winter? If so, your most important search criteria might be based upon location (near golf, shopping, friends), size and features of house (bedrooms, pool, floor plan) or community amenities (gated, golf course, social activities).
2. Will you want to rent the house out on a part-time or full time basis? If you plan to furnish the home, use it part-time and offer it for rental to vacationers, then location will be very important. People coming on vacation will want to be close to certain amenities (airport, golf, restaurants, shopping, nightlife) and expect certain features in a home (heated pool, home entertainment systems, nice kitchen and cooking equipment) and typically want 4 bedrooms for golfers, families or two couples with kids).
3. Is the home strictly for investment purposes? If so, what areas are in demand (both desirable to renters and not full of vacant homes to compete against), have the best chance at appreciation, and will attract the type of tenant you are looking for. Safe, newer neighbourhoods are the best places to invest as they attract tenants with better credit histories, and will be the first areas to come back when the real estate market improves. Lastly, save yourself the headaches - hire a property management company to look after your home and tenants. We have good companies we recommend.
4. Are you prepared to spend some money in fixing up a home? If so, don't become the best home on the block as the old maxim "location, location, location" still applies. Hire a reputable contractor with good references (we have ones we can recommend) and be prepared to spend time onsite making sure the work is done to your satisfaction. Getting someone back in after you've paid them is a lot more difficult than making sure things are done properly before final payment is made.

Which are the best communities to buy in?

For vacation homes – with rental use

The most popular vacation communities are in Scottsdale, Fountain Hills, Chandler and Tempe. You can check out our website for more information on these areas but they have all the amenities and the central location that most people want. The homes here are priced higher than other areas, but they are also the most in demand and offer the best potential for appreciation.

For vacation homes – personal use only

There are no hard and fast rules here other than the financial considerations mentioned above. Make sure you like the community. Is it close to where you will want to spend your time (golf, shopping etc.)? Is the quality of construction to your satisfaction? Is it a safe area? Will your home appreciate in value?

For investment properties

The best communities to buy in have low crime rates (see our link to Phoenix area crime statistics below), newer construction and are centrally located. The location of a rental property is doubly important because it should be close to jobs or an easy commute. With gas at \$4.00 a gallon here, home rentals in outlying areas have become more difficult to rent.

The highest demand areas for renters are currently Anthem, North Phoenix, Sun City, Glendale, Gilbert, Chandler and Tempe. They each represent different price points, rental rates and appreciation opportunities, but all should rent well and draw good tenants.

How much should I spend?

1. Most importantly, spend what you are comfortable with. Can you afford the loan or mortgage payments and home ownership costs?
2. If so, what will be the soundest investment that will satisfy your needs? Besides buying a nice home, make sure you consider income potential and exit strategy. Buying the right home in the wrong area or visa versa

can saddle you with a poor investment that may be difficult to rent or sell.

3. Don't pay less thinking you will get a better return on investment. The homes that are in the better areas will appreciate more and represent the least risk. Buying a home in a high crime, old rundown neighbourhood or in a location far away from the city centre may look good on paper, but there will be few renters who want to live there and fewer home owners who will want to buy there.
4. Be realistic. Homes that are advertised as great deals for \$50,000 are that price for a reason. Pictures of the inside and outside of a home on the internet don't tell the whole story. Check out all of the factors mentioned above before settling on a home or an area. Today's better investment opportunities in the Phoenix area can be bought for as low as \$60-70 per square foot and rented out for up to \$.50 - .60 per sq. ft. per month. These are homes in good neighbourhoods that are in demand as rentals as will generate significant positive cash flow. On average, homes are now selling for over 97% of the list price. If a home is priced correctly, which most are now, don't expect to get it for significantly less than the asking price. Don't forget there is already a five year history of price declines built in to these prices which are now often less half of what the home sold for in 2005-2006.
5. Consider all types of sales, normal, foreclosures and even short sales if you have the time and patience. There is only one market out there and all home owners need to adapt to the comparable sales in their area.
6. Most importantly, deal with an experienced realtor who understands the market, has satisfied customers and understands the requirements of working with Canadians. The transaction process, financing and tax rules for Canadians are not the same as they are for Americans – knowing these differences can be crucial in making sure your purchase goes smoothly.

For more information on Phoenix area crime statistics

Go to: <http://www.azcentral.com/CrimeMaps/>

Focus on Anthem in North Phoenix

The community of Anthem is an award winning master planned community in North Phoenix. It was voted the Best Master Planned Community in America by the National Association of Home Builders in 2001. Conveniently located off Interstate I-17 about 10 minutes north of the 101 Loop, Anthem is quickly becoming known as the Scottsdale of the north without the Scottsdale prices. Nestled up against Daisy Mountain, the community of Anthem was developed by Del Webb (now owned by Pulte Homes) in 1999. It took less than 10 years to sell and build all of the homes (it was originally expected to take 20 years to do so) and now it is a mature, fully built active lifestyle community with most of the amenities anyone would need right locally or within a 10 minute drive. Anthem is comprised of three areas:

Anthem Country Club, Anthem Parkside and the Village Condos.

Anthem Country Club is tucked away within a gated, resort-style community. The country club is comprised of 2,900 single level south-west style homes ranging in size from 2 bedroom, 1100 sq. ft. models to 5 bedroom grand homes at 4600 sq. ft.

Locally, Anthem is known as the Club with two of everything — two championship golf courses, two golf practice facilities, two spectacular clubhouses, two dining rooms, two state-of-the-art fitness centers, two heated pools, and two tennis gardens. Social Membership is an integrated part of the homeowner experience for residents of the country club community. Golf membership is optional and gives members year end access to both golf courses. Social members may play both of these private 18 golf courses on a pay as you play basis.

For more information on Anthem CC click on the link below:

[Anthem Golf & Country Club | Private Golf & Country Club - Anthem, Arizona](#)

Anthem Parkside is a family oriented community perfect for investors, with loads of incredible amenities including a gigantic 43,000 sq. foot community center, complete with state of the art fitness facilities, indoor basketball courts, a rock climbing wall and the popular Big Splash Water Park. Parkside offers a wide variety of homes to fit your needs with 31 single and two-story home plans ranging from 1483 - 4071 sq. feet.

For more information click on the link below

[Anthem Parkside Community](#)

The Village at Anthem is a gated condominium community of 210 units nestled near Gavilan Peak in Anthem. The Community offers 1, 2, and three bedroom units with one and two car garages. Amenities in the community include a private pool, hydro spa and an exercise room. Residents of the community may also utilize the Anthem Community Center. Other amenities available to the residents are the Anthem Community Park consisting of 63 acres featuring catch and release ponds, waterfalls, walking paths, water park, various sports facilities throughout the main park as well as many pocket parks throughout the Community.

For more information click on the link below

[Village @ Anthem - Welcome to The Village at Anthem](#)

All three communities are fully built so there are no issues with ongoing construction or empty lots nearby. We live in Anthem ourselves and also own a rental property here and have found that our Canadian clients love its beautiful surroundings, amazing amenities and quiet solitude. Homes in Anthem sell for on average between \$80 to \$150 per sq. ft. depending on the upgrades in the home and the backyard amenities. As well as being outstanding vacation homes, they are great investments as rental properties and are in extremely high demand.

For a better idea of what is available in Anthem see the active listings available on MLS at this link. [Homes for sale in Anthem](#)

Market Summary for the Beginning of September

During August we continued the market's three month wind-down following its springtime frenzy. The basic numbers for September 1, 2012 relative to September 1, 2011 for all areas & types across ARMLS are:

- Active Listings 14,405 versus 19,216 last year - down 25% - and up 7% from last month
- Active Listings 20,678 versus 26,820 last year - down 23% - and up 3% from last month
- Pending Listings: 10,125 versus 11,508 last year - down 12% - and down 3% from last month
- Monthly Sales: 7,573 versus 8,470 last year - down 11% - and up 3% from last month
- Monthly Average Sales Price per Sq. Ft.: \$97.45 versus \$79.64 last year - up 23% - and down 0.7% from last month
- Monthly Median Sales Price: \$145,700 versus \$109,900 last year - up 33% - and up 0.6% from last month

Nothing very impressive there, assuming we have all got used to the idea that average price per sq. ft. for sales is up 23%. The luxury market has had its usual quiet summer which means pricing has taken 3 steps back having taken 26 steps forward between September 2011 and June 2012. It's all rather boring and predictable.

Greater Phoenix foreclosure sales are once again below 14% of the monthly total. At their peak on February 11, 2009, they constituted 71.1% of monthly sales. Although it will take some time for them to disappear completely, REOs are no longer a major factor in the market.

In contrast, short sales comprised 30.4% of all sales in Greater Phoenix.

Normal sales have risen from 55.3% to 56.1% of sales and their pricing is down from \$114.76 to \$113.07 per sq. ft. Pricing for normal sales peaked at \$120.72 on June 16 and has fallen back 6.3% since then. This is a natural consequence of weaker sales at the top end of the market.

Supply continues to increase gently, in line with seasonal patterns, though supply is increasing much faster in locations like Queen Creek and Maricopa. In contrast the luxury market areas have seen supply declining or steady. Overall we still have nowhere near enough supply for a housing market the size of Greater Phoenix.

Although we have no trace of upward trend in sales pricing, since August 4, we have been watching a sharp move upwards for listings under contract. We therefore expect to see a mild increase in sales pricing for the next two weeks followed by a more impressive move upwards during the second half of September.

To make up for the relative lack of exciting news in sales data, the foreclosure numbers have had an eventful August. For this we have to thank Bank of America and their trustee subsidiary Recontrust. Up until July 27, Bank of America was behaving much like any other lender and allowing roughly 60% of its trustee sales to be purchased by third parties. From July 30 onwards, there was clearly a policy change. Bank of America has both stepped up its rate of foreclosure and set its opening credit bids very high, ensuring that the vast majority of trustee sales result in a property reverting to the beneficiary - i.e. Bank of America.

Those looking for bad news to celebrate can rejoice in the increased rate of completed foreclosures, but from our perspective this has no real long term significance. It is just reducing the pool of pending foreclosures much faster than in the first 7 months of 2012, and eliminating delinquent loans faster than they are arising. This is because the new notices of trustee sales are down from 3,389 to 3,344. This looks like a small decline at first sight, but remember that August had 2 extra working days over July so the daily rate declined more than 10%. It seems that Bank of America has realized that with REOs easy to sell and prices rising, taking them into inventory is not such a bad idea. At least it allows them to steer the properties towards ordinary home buyers rather than investors. Ordinary home buyers are more likely to require home loans too. At present no other lenders seem to have followed suit. However Bank of America represents some 25% of the foreclosure pipeline and investors on the courthouse steps are no doubt dismayed by the reduction in buying opportunities. The result will be a small increase in REO inventory (about 15%), probably followed by a small increase in REOs for sale through ARMLS (also about 15%). This will be popular with listing agents who handle Bank of America REOs and buyers looking for bargains. Do not get too excited however. No doubt there will be at least 10 offers for most of properties listed.

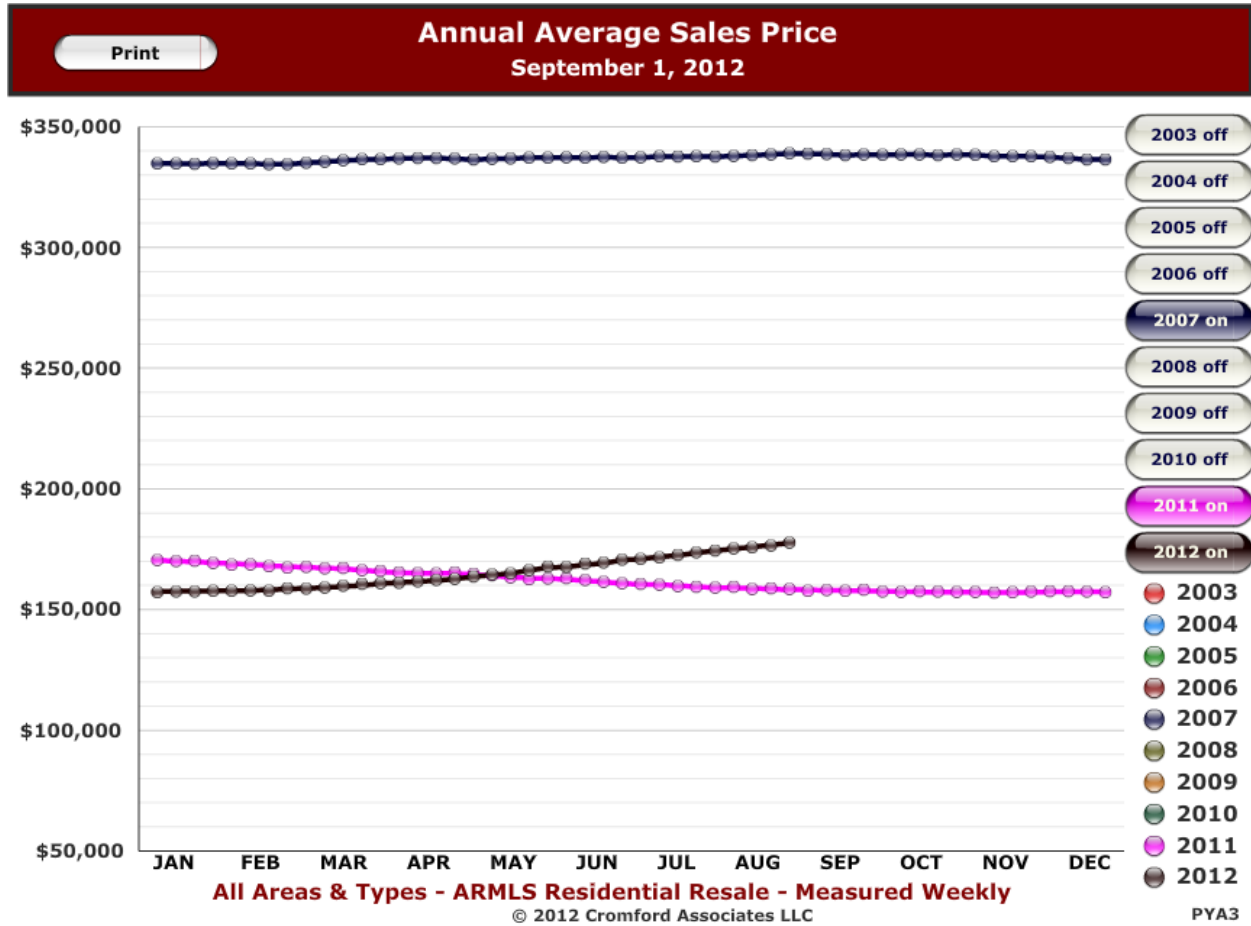
In September our list of things to watch includes

- will the \$/SF for under contract listings continue its sharp rise?
- when will the \$/SF for closed sales follow suit?
- will Bank of America and Recontrust continue their new policy of acquiring far more REOs from trustee sales?
- will any other lenders follow their example?

The short supply will probably feel slightly less of an issue during the rest of the year when demand is relatively low, but if we enter next year's spring buying season with our current level of supply, we are likely to see fireworks again between February and May. It will be interesting to see how much the new home builders are able to gear up for this opportunity. If they can increase capacity this might put more homes into the supply and limit the upward pricing pressure. However they currently face a constrained supply of vacant lots under developer ownership and very limited number of trained and available tradespeople in most of the key construction disciplines.

After a relatively quiet summer spell, the next 9 months are going to be very interesting to follow.

The Chart below shows you where we were 5 years ago and where we now are after hitting bottom late last year. Lots of rooms for price appreciation now that we are through the glut of foreclosures on the market.



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 buying and selling vacation homes**
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