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U.S. Snowbird Legislation

As snowbirds across the country plan their annual migration, many hope the U.S. government will green-light a reform bill that would allow them to extend their stay by up to two months. But the bill could come with costly trade-offs, including double taxation and loss of provincial health coverage.

One of the provisions of the JOLT Act (Jobs Originated through Launching Travel) would allow snowbirds to spend up to eight months — or 240 days — each year in the U.S. That's almost two months longer than the current 182-day annual limit. The Canadian Snowbird Association applauds the inclusion of the JOLT Act in the comprehensive immigration reform legislation. (Of course, the bill remained in limbo during the U.S. government shutdown.)

But retirees who spend more than 182 days south of the border might be considered a U.S. tax resident. That means you must now report to the (Internal Revenue Service) on your worldwide income and pay tax. Staying out of the country that long could also jeopardize your eligibility for health insurance.

"On the one side, I see a lot of potential problems for people who don't realize the impact and don't plan well, but on the other side I see opportunity if done right," says Matt Altro, a cross-border financial planner at Altro Levy. "If you structure your exit from Canada properly, you will pay only U.S. income taxes" which are significantly lower than Canadian rates. "You could end up with more money in your pocket by the end of the year," he says. "There are even opportunities for somebody to withdraw their RRSP at much lower tax rates once you become a non-resident of Canada."

Less well-known is a proposed retiree visa for foreign citizens who make a cash purchase of at least \$500,000 or more in real property. That would permit individuals to live in the U.S. year-round if they're 55 years or older, have health coverage and reside in the U.S. for more than 180 days a year. The visa would be valid for up to three years but may be renewed.

Altro recommends working with a cross-border tax expert who knows both sides of the border — including the implications of estate tax residency — and planning well in advance if the legislation is passed and you'd like to extend the length of your southern stay.

To be eligible to spend up to eight months in the U.S., snowbirds would need to satisfy the following criteria:

- Have Canadian citizenship
- Be 55 years of age or older
- Maintain a residence in Canada
- Own a U.S. residence or have a rental agreement for the duration of stay
- Not engage in employment while in the U.S.
- Not seek assistance or benefit.

The change would also allow the retiree's spouse to be admitted for the same duration. Time spent outside of the U.S. during the eight-month period wouldn't be counted against the visa holder or their spouse. To learn more, visit the Canadian Snowbird Association at www.snowbirds.org, e-mail csastaff@snowbirds.org or call at 1-800-265-3200.

Second Home Ownership

Hollywood stars are not the only ones with homes in both California and New York. Farmers escape the Heartland for the beautiful Arizona desert, too. Second home ownership has become an extremely popular trend in today's real estate market. Why? Because demographics and technology are converging to create a historic opportunity for buyers and sellers. As Baby Boomers rush toward retirement, second homes suitable for play now and retirement later have enormous appeal. In fact, experts predict that nearly 1.5 million Canadians alone will buy full or partial interest in second homes within the next few years.

Today, thanks to technology, second homes are becoming a place to work as well as play. Second homes may be located in resort areas. Others may be located near a second work environment for those who commute frequently between different business destinations. And the second home phenomenon stretches from Alaska to Florida, from Hawaii to Nova Scotia, and all points in-between.

How you use a second home is up to you but if it's something you've been considering, now is the time to get the information you need to make an informed decision. A qualified real estate professional can help guide you through financial considerations, assist you in finding the right community and even refer you to a resort property specialist for the destination of your dreams. Your real estate professional may be able to get you the information and advice you need to use the equity in your current home to finance the down payment on a second home, for example.

For many, a second home in a vacation or resort area can be an income property when not in use. Once again, a real estate professional will help you consider property management options that can be a crucial financial factor as well as important to peace-of-mind.

Married couples, generally over age 35, with or without children are almost twice as likely to own second homes as single persons. And the fastest growing segment of second homebuyers is age 35 to 54, without children at home.

Some of the best locations are not more than two to three hours away from major metropolitan areas by car or plane. For example, Canadians from the western provinces flock to California and Arizona, Quebecers most often choose Florida and Ontarians and those from the maritime provinces are split between the Atlantic shores and desert communities of the south western United States.

What makes a second home location ideal? Natural beauty is great, but don't forget about cultural and social resources, as well as first-rate golf, tennis and other popular sports facilities.

Second homes are a discretionary purchase, and everyone wants to feel secure in their environment. That's why gated and guarded residential communities will continue to increase. Nevertheless, you will likely get more enjoyment out of a property you can get to quickly and can use frequently. And be sure to look at each property with an eye toward tomorrow, because the vacation homes likely to appreciate the most are the ones that Boomers can play in today and retire in tomorrow.

Getting a Mortgage in the U.S.: Understanding the Differences from Canada

With today's low interest rates and wide selection of properties available at competitive prices, now is a perfect time to make a real estate purchase in the U.S. Before you get started, it's important to understand the differences between mortgages in Canada and in the U.S.

Benefits of a U.S. Mortgage

The U.S. mortgage industry is highly regulated. That means securing a mortgage loan in the U.S. is more complex and takes a while longer than in Canada. No pre-payment penalties. You can repay your mortgage at any time you like. Second, you can use your Canadian credit history to help decision your loan.

Important Differences between Canada in the U.S.

- **Timing** – While it only takes a few days to apply for and secure a mortgage in Canada, the process is longer in the U.S. Typically, it takes 30-45 days to apply for and secure a mortgage in the U.S. Important steps in the process include completing the application, retrieving credit, gathering income and asset documents provided by the buyer, ordering third party documents such as the appraisal and title, credit loan review and approval, and preparing closing documents.
- **Documentation** – In the U.S., securing a mortgage requires more documentation than in Canada due to the highly regulated environment.
- **Costs** – Costs in the U.S. can be higher than Canada as well due to required third party expenses such as the property appraisal, titling and certain insurances. On average, you can expect to pay between 2-3% in fees when financing property in the U.S. Standard application and transaction settlement fees apply and are provided in detail in the initial disclosure package you will receive once an application is completed.
- **Mortgage Interest** – Mortgage interest is another point of difference. In the U.S., mortgages are compounded monthly, while in Canada they are compounded semi-annually. In addition, mortgage interest may be deductible against taxes in the U.S.
- **Down payments** – Typically, a down payment of at least 20% of the value of the home is required in the U.S. The down payment requirement is dependent on the purpose of the property purchase. Purchasing a home to be utilized as a primary residence, second home or investment property will require varying down payments.

In the U.S., you will be asked to provide information and documentation about the source of your down payment. It is critical that once you've deposited your down payment funds into your banking account, that remain in the account that has been verified in order to avoid delays in the process.

We have a number of U.S. lenders who are financing Canadians and we will be pleased to put you in touch with them.

Phoenix Market update

The change in market balance accelerated during October reaching a shocking pace we almost never see. Only in the second half of 2005 have we seen demand drop at this exceptional speed. Those who think this is just a seasonal effect are mistaken. Demand has been falling dramatically for the past 3 months and October saw that rate increase rather than moderate. The pace may yet moderate but at the present rate of change we will be in a true buyer's market by the time we reach December. The cooling market is turning positively chilly for sellers, many of whom will find it hard to believe.

When demand falls suddenly like this, active listings pile up because they are not going under contract as they normally would. On top of this, October was the busiest month for new listings since April 2011. Supply is therefore building fast, especially when expressed in months of supply, since the monthly sales rate is in steep decline.

Sellers no longer have any significant bargaining power and will soon be at a disadvantage in negotiations with buyers. Buyers will find themselves being treated with unusual respect and many will be able to negotiate concessions. Sellers who list homes priced well over market value are increasingly unlikely to get showings, never mind offers. This is an amazingly swift turn round in a market that heavily favoured sellers as recently as July.

Certainly we are seeing little to no evidence of a corresponding change in the rental market. There we find supply and demand are in balance and have been for some considerable time. Rental inventory stands at 2.4 months on ARMLS, exactly the same as this time last year. Since population growth, though modest, is still positive, we can probably expect any lack of demand in re-sale homes to be beneficial to the rental market.

Here are the basic ARMLS numbers for November 1, 2013 relative to November 1, 2012 for all areas & types:

- Active Listings (excluding UCB): 23,330 versus 16,939 last year - up 37.7% - and up 15.4% from 20,215 last month
- Under Contract Listings (including Pending & UCB): 8,840 versus 15,245 last year - down 42.0% - and down 7.1% from 9,512 last month
- Monthly Sales: 5,992 versus 7,155 last year - down 16.3% - and down 6.7% from 6,420 last month
- Monthly Average Sales Price per Sq. Ft.: \$124.09 versus \$104.10 last year - up 19.2% - and up 3.1% from \$120.31 last month
- Monthly Median Sales Price: \$184,938 versus \$151,000 last year - up 22.5% - and up a negligible amount from \$184,850 last month

Pending listing counts are still falling, though not quite as fast as last month. However falling pending listings are a harbinger of falling sales counts. These are now dropping fast.

The average price per square foot is still increasing and probably has some further to go before momentum runs out. However there is now little fuel left in the price rocket. We expect prices to stabilize in the area between \$125 and \$130 per square foot.

We saw a significant jump in cancelled listings during October - the highest since August 2011. However expired listings remain at a subdued level, well below average, though up 18% from this time last year when they were even scarcer.

Top U.S. Investment Markets

The map below provides a comparison of the various U.S. cities in the Zillow Housing forecast.

3.8%

National Forecast

Zillow Housing Outlook

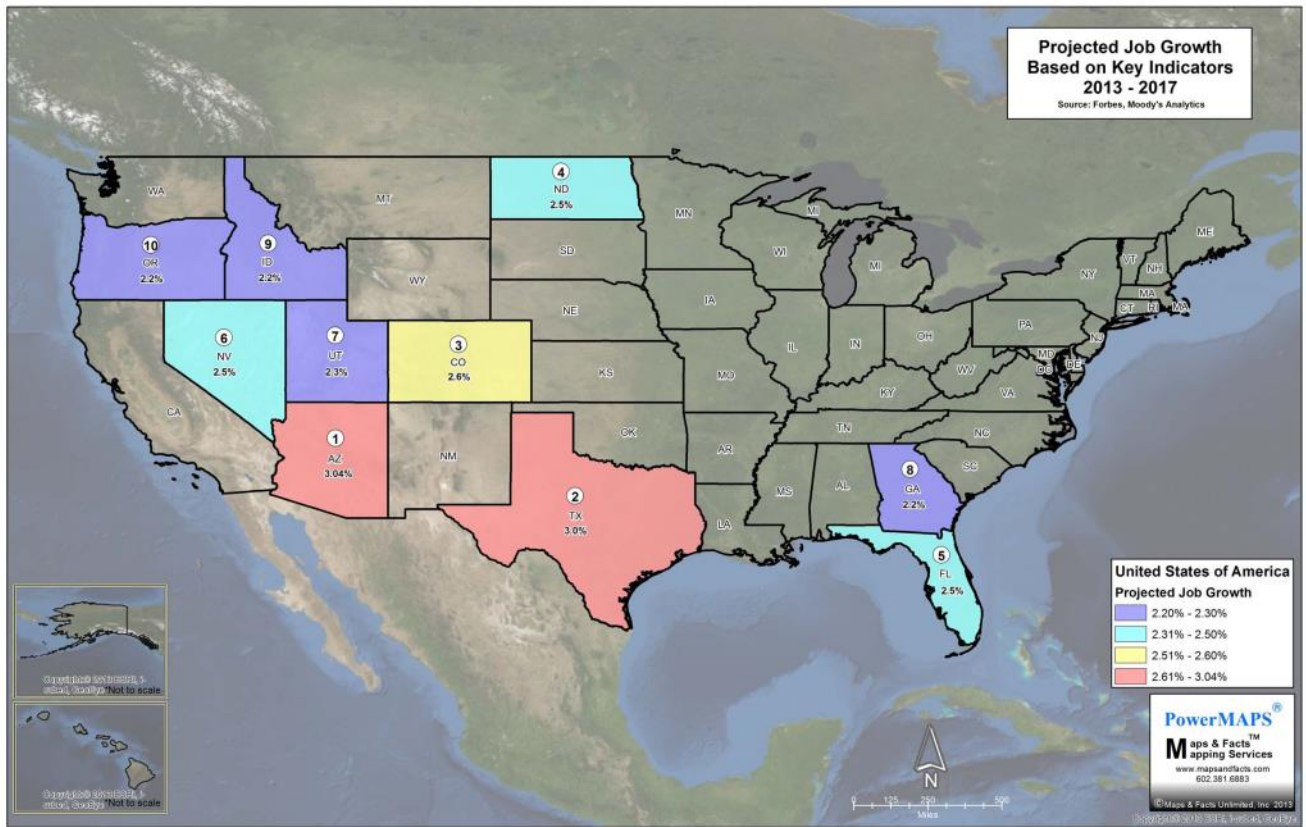
Zillow Home Value Forecast, September 2013 - September 2014



Projected Population Growth to the year 2030- Arizona ranks 2nd in the U.S., Texas ranks 4th in the U.S. and Georgia ranks 8th in the U.S. (data provided by the U.S. Census Bureau)

Change: 2000 to 2030 State	Change: 2000 to 2030 Number	Change: 2000 to 2030 Percent	Change: 2000 to 2030 Rank in percent change
United States	82,162,529	29.2	(x)
.Nevada	2,283,845	114.3	1
.Arizona	5,581,765	108.8	2
.Florida	12,703,391	79.5	3
.Texas	12,465,924	59.8	4
.Utah	1,252,198	56.1	5
.Idaho	675,671	52.2	6
.North Carolina	4,178,426	51.9	7
.Georgia	3,831,385	46.8	8
.Washington	2,730,680	46.3	9
.Oregon	1,412,519	41.3	10
.Virginia	2,746,504	38.8	11
.Alaska	240,742	38.4	12

Projected Job Growth - Arizona ranks 1st in the U.S., Texas ranks 2nd in the U.S. and Georgia ranks 8th in the U.S. (data provided by Forbes, Moody Analytics)



Home affordability - Based upon a study carried out by the Website Interest.com, Atlanta ranks 1st in the nation, Phoenix 6th and Dallas 8th for home affordability.

2013 Home Affordability Study Results

By: Reed Karaim, October 23rd 2013

An **Affordability Grade** of C means someone making the median income can afford the median-priced home.

The **Paycheck Power Rating** is the percent the median income exceeds or falls short of the income required for a median-priced home.

CITIES ↕	AFFORDABILITY GRADE		PAYCHECK POWER RATING	
	2012 ↕	2013 ↕	2012 ↕	2013 ↕
Atlanta	A	B+	40.00%	24.92%
Minneapolis	A-	B	32.20%	23.86%
St. Louis	B+	B	23.49%	17.94%
Detroit	A	B	45.32%	16.87%
Pittsburgh	C+	C+	13.64%	11.33%
Phoenix	B+	C	23.53%	8.32%
Washington	C+	C	14.38%	2.80%
Dallas	C	C	6.68%	0.83%
Chicago	C	C-	2.60%	-1.16%
Philadelphia	C	C-	2.89%	-1.31%
Houston	C	C-	5.20%	-1.90%
Sacramento	B-	D+	15.68%	-3.41%
Tampa	D+	D+	-3.03%	-4.47%
Denver	C	D+	4.34%	-4.59%
San Antonio	C-	D	-0.55%	-4.88%
Milwaukee	D+	D	-2.94%	-8.22%
Baltimore	C	C	7.61%	-8.36%
Portland	C-	D	-0.39%	-8.41%
Seattle	C-	D-	-0.63%	-13.36%
Boston	D	D-	-11.62%	-16.54%
Miami	D-	F	-12.59%	-24.56%
Los Angeles	D-	F	-12.52%	-30.31%
New York	F	F	-29.71%	-35.82%
San Diego	F	F	-25.90%	-37.71%
San Francisco	F	F	-32.76%	-47.93%

These three factors above are leading indicators of potential price appreciation.

Recent Home Appreciation

Although home prices have increased in most U.S. markets recently, some fell further than others and recovered quicker than others such as Phoenix where prices fell by 58% from the 2006 peak of \$282,500, started rising in the fall of 2011 and have increased 20.9% over the last year but are still 34.6% below their peak price.

In Atlanta home prices did not drop as much as Phoenix. They peaked in March of 2007 at an average price of \$175,600 and have risen 15.7% over the last year to an average price of \$128,500 but would need to increase an additional 36% to equal 2007's peak value.

In Dallas due to a strong economy in Texas, home prices did not drop significantly.

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
- Investment properties – Rental and Lease Option
- 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.