Arizona for Canadians

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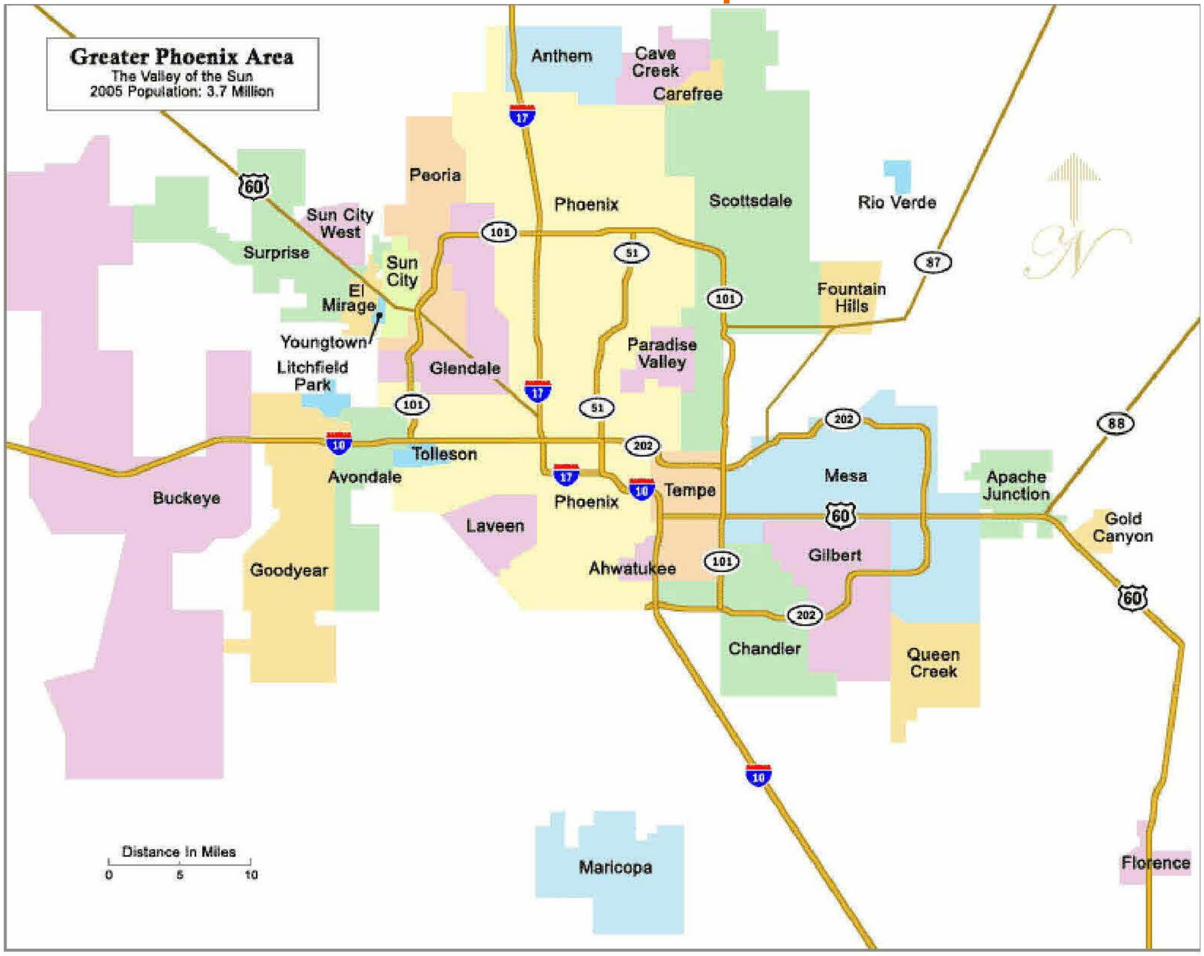


Buy while rates are still at historic lows

With the recent drop in the value of the Canadian dollar, many people are wondering if they should buy that dream vacation home or wait to see if the Loonie strengthens. In order to make the right decision, an individual has to think about their personal situation and then consider a number of other factors.

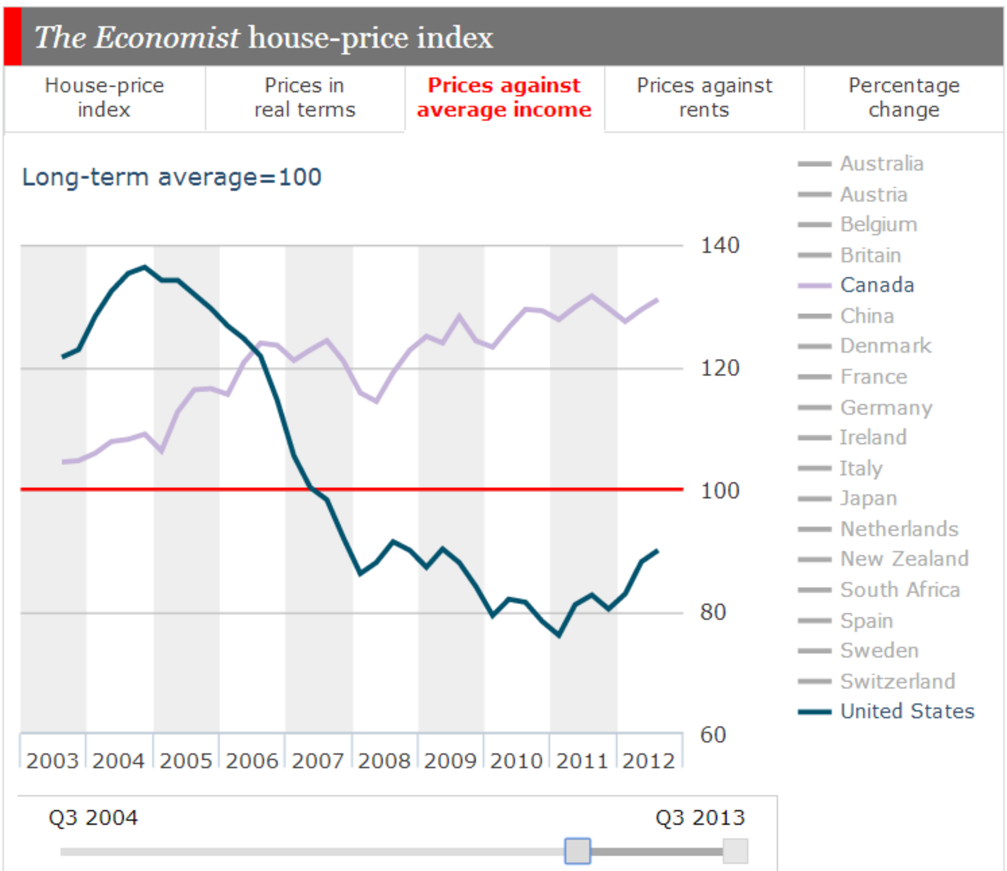
Is there a better investment opportunity available to you right now in other real estate markets or other types of investments such as the stock market or in bonds? Will you miss out on a great opportunity while borrowing costs are low and prices still very affordable?

Home Prices

U.S. investment properties can provide a steady cash flow of between 4-15% after expenses and prices are still very affordable in many markets with significant upside appreciation potential. Consider the affordability of homes in many U.S. markets as compared to most Canadian cities to get an idea of future price growth potential. Canada is now considered the most overpriced real estate market in the world according to a recent article in the Financial Post. Compare any Canadian city to Phoenix where only $32,812 in income is needed to buy the average home which costs $192,700.

> http://business.financialpost.com/2014/03/05/north-americas-top-20-housing-markets-vancouver-the-most-expensive-on-continent-while-toronto-calgary-beat-new-york-city/

The Chart below from The Economist compares home affordability in Canada to the U.S. with Canada represented by the Purple line and the U.S. by the Blue line.



Stock markets are currently riding a strong recovery from the drop earlier this year and the S&P 500 hit a new intraday high recently. Many analysts are worried that stocks are over-valued and cannot continue the upward climb especially with the U.S. Fed reducing its stimulus. Bond prices face a similar risk as interest rates start to rise later this year or early in 2015.

Interest Rates

Where are interest rates headed? From all indications it certainly appears that interest rates have bottomed out and that rates have nowhere to go but up. The U.S. Federal Reserve recently indicated that they may accelerate the easing of their bond purchases in order to reduce the stimulus to the economy and reduce the risk of inflation. Keep in mind that the average 30 year fixed rate mortgage in the U.S. has averaged about 7.5% over the past 30 years as compared to about 4.4% today. We are nearing an end of a period of historically low interest rates.

Currency Exchange

The value of the Canadian dollar which is currently about 89 cents US has averaged about 80 cents US over the past 30 years. From a low of 61 cents in 2003 to a high of $1.10 in 2008. The future of this rate depends upon many factors including the performance of the Canadian economy and our interest rates relative to the U.S. Currently the economy in the US is out performing Canada's with the latest figures showing the U.S. economy grew by 3.2% in the latest quarter and Canada by 2.9%. The forecast for 2015 is for GDP growth in the U.S. to be 3% and for Canada to be at 1.9%. This fact along with the expectation that interest rates will rise in the U.S. before they do in Canada are the fundamental reasons that the Canadian dollar has moved lower and may continue to do so.

Financing options for Canadians

We have sourced several new financing options which are available to Canadians.

There are several new options for Canadians including low fixed rate options for individual homes or portfolio loan products whereby a Canadian investor can finance several homes with one large loan. Other loan options include loans for multi-unit residential, apartment buildings, strip malls and other commercial developments.

Canadian borrowers considering a vacation home purchase today can still qualify for a 5 year fixed rate of 2.75% and 3.25% for an investment property so now is a very good time to lock into a low long term rate.

Greater Phoenix Market update

The change from a balanced market to a buyer's market that occurred exactly one month ago has now settled in firmly and those in denial are dwindling in number.

Here are the basic Phoenix area MLS numbers for March 1, 2014 relative to March 1, 2013 for all areas & types:

- Active Listings (excluding UCB): 26,589 versus 17,090 last year - up 55.6% - and up 4.1% from 25,541 last month
- Active Listings (including UCB): 29,613 versus 21,460 last year - up 38.0% - and up 4.2% compared with 28,413 last month
- Pending Listings: 6,462 versus 10,300 last year - down 37.3% - but up 12.9% from 5,723 last month
- Under Contract Listings (including Pending & UCB): 9,486 versus 14,670 last year - down 35.3% - but up 10.4% from 8,595 last month
- Monthly Sales: 5,462 versus 6,578 last year - down 16.7% - but up 14.7% from 4,778 last month
- Monthly Average Sales Price per Sq. Ft.: $127.54 versus $111.67 last year - up 14.3% - and up 1.7% from $125.45 last month
- Monthly Median Sales Price: $180,000 versus $160,000 last year - up 12.5% - but down 1.5% from $182,700 last month

The rate of change has slowed. Supply is increasing but less quickly because contract activity is picking up, as is usual for the time of year. Sellers must hope that the number of active listings reaches a peak and starts to reduce in March. That would be normal for a quiet year. However demand remains stubbornly low compared with the normal spring level and there is, as yet, no sign of improvement for sellers except in a few isolated areas.

Sales in February were higher than January (as they are every year) but much lower than in February 2013, giving us the lowest February sales total since 2009. Pending listings have risen since the start of the year but started at such a low point that they are still at their lowest level for early March since 2008. So far this is the second weakest year for pending listings since 2000 (2008 was much weaker still). We still haven't overtaken the pending listings for 2007, which is not a reassuring comparison as 2007 was an awful year for sellers.

New listings have been arriving at a rate which is consistently 9% higher than last year, and the most positive thing we can say about demand is that it has almost stopped getting weaker. The period between March and June almost always sees a down trend in active listings so we would expect to see little movement in total active listings this year until we get to July. If current trends continue we will see another rise in active listings through the second half from July to November. With supply only slightly below normal and demand well below normal we have a classic buyer's market.

In a buyer's market, prices tend to fall, but it takes quite some time to happen as long as we are not facing a lot of distressed properties. We are not. Distress is low and pending foreclosures are continuing to trend lower.

The monthly median sales price is already starting to fall. At $180,000 for all areas & types it is lower than last month and that was lower than the month before. At the moment $180,000 looks good compared with $160,000 for February 2013. However, the median sales price for June 2013 was $182,500, so in just 4 months we are likely to be reporting a negative annual change. The average price per square foot readings are looking more positive thanks to the relative strength of the luxury market. The luxury market contributes strongly to the average price per square foot but has virtually no influence on the median sales price.

The luxury market is seeing more problems appear. Demand remains stronger than the rest of the market, thanks to the stock market making new highs and lenders falling over themselves to offer jumbo loans at very attractive rates. However supply is becoming excessive and luxury sellers are starting to see too much competition for them to be aggressive in pricing.

As of March 21st 2014, we can see which price ranges have become popular or unpopular by comparing dollar volume across the 3 years, even though the 2014 numbers are not complete yet for the 1st quarter.

Price Range	**Q1 2012**	**Q1 2013**	**Q1 2014**	**Dollar Volume in 2014**
$100K and under	$540M	$281M	$125M	lowest since 2008
$100K to $200K	$1,198M	$1,299M	$902M	lowest since 2008
$200K to $300K	$706M	$928M	$797M	above 2012 below 2013
$300K to $400K	$401M	$595M	$480M	above 2012 below 2013
$400K to $600K	$367M	$531M	$442M	above 2012 below 2013
$600K to $1M	$286M	$374M	$317M	above 2012 below 2013
$1M to $2M	$199M	$279M	$221M	above 2012 below 2013
$2M to $3M	$67M	$61M	$69M	highest since 2010
Over $3M	$50M	$58M	$96M	highest since 2008

The market up to $100K has collapsed in dollar volume while that between $100K and $200K is sharply down. Between $200K and $2M the dollar volume is below 2013 but above 2012.

Above $3M we are hitting new heights in spending not seen since before the financial crash of 2008 and this exclusive part of the market is currently the hottest sector. The total amount spent in the super-luxury sector is quite small compared with the overall market, but it is significant that more money has been spent this year on homes over $2M than on homes of $100K or less. This is a dramatic reversal of the position in 2012 and 2013 and helps explain why the average price and average price per sq. ft. are staying so very buoyant while the median sales price is much weaker.

We are clearly moving back to a Buyers' Market after several years of high demand and increasing prices. This will represent an opportunity for buyers to purchase homes without the frenzy and multiple offer situations that many encountered in 2012 and 2013. There will be many good deals available in the year ahead and we expect that seller's expectations will become more realistic as this realty sinks in.

For Canadians who already own investment properties in Arizona, now may be a good time to consider selling properties to take advantage of the favourable exchange rate and before interest rates start heading higher.

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.