

'Perfect storm' of retail opportunities

BY DAWNA FREEMAN, FOR POSTMEDIA NEWS; EDMONTON JOURNAL MAY 28, 2011

When it comes to lifestyle destinations, this valley girl sparkles like a diamond in the desert.

Celebrating 60 this year, Scottsdale is where the well-heeled live, dine and shop. It is a moneyed enclave with exclusive pockets of real estate and a world-renowned art scene. It's a tony, touristy town glittering with swanky five-star resorts, spas and 40 of the highest-ranked golf courses in America.

With direct flights from many major cities and 320 days of sunshine a year, this desert jewel knows how to woo her Canadian neighbours.

And now, well into the U.S. housing collapse, this city in the Valley of the Sun is offering up real estate gems with fetching deals on winter homes and rental property.

In 2005, Scottsdale's real estate market was one of the most expensive in America, its prices driven up by local residents and investors priced out of California. By mid-2006, at the peak of the housing market, homes in Greater Phoenix had more than doubled 2000 levels, according to the National Association of Home Builders.

When the bubble burst in late 2007, the overpriced Phoenix market went into a tailspin, spiralling down 53 per cent compared to the nation's average of 31 per cent.

But in affluent Scottsdale, prices fell relatively little in 2007 and 2008. In March 2007, according to the Cromford Report, the valley's housing market daily update, homes in Scottsdale were selling for an average of \$302.28 per square foot, more than double the \$141.18 per square foot of January 2001 (all prices in U.S. currency).

Gregory Larson, an Arizona broker who specializes in selling Scottsdale real estate, explains the initial stall: "Fewer foreclosures in Scottsdale and the reluctance of homeowners to drop their prices meant fewer distressed sales and less downward pressure on home prices."

By 2009, luxury markets in Greater Phoenix began to experience more significant declines, with median home prices in some communities hitting double-digit losses in 2010. By March 2011, Scottsdale homes had dropped 43 per cent to an average of \$173.06 per square foot. By April 2011, distressed properties in Scottsdale had pushed foreclosures up to 39.1 per cent.

The sixth largest city in Arizona (pop 245,500), Scottsdale basks in the Sonoran Desert in the eastern valley of Maricopa County. It's bordered by Phoenix to the west, the McDowell Mountains to the east and the McDowell Sonoran Preserve to the north.

Stretching about 50 kilometres north to south, Scottsdale divides into three diverse real estate markets. South Scottsdale, which includes the touristy Old Town and downtown's high-end, two-million-square-

foot Fashion Square mall, is the most affordable section. Central Scottsdale, where Loop 101 meets Scottsdale Road, is influenced by nice golf courses. North Scottsdale, which includes the upscale Kierland Commons, has bigger acreage lots and some of the most expensive homes in Greater Phoenix.

Median prices vary significantly across Scottsdale, increasing from the southern section to the newer developments in the north, with family homes, condos and resort style properties ranging from the \$100,000s to multi-million dollar estates.

And now with the loonie at a three-year high, the sun-dazzled city is a treasure for savvy Canadian investors.

"Now is the perfect storm for Canadian real estate buyers in Scottsdale," says Larson, whose ARIZ ST Real Estate firm serves mainly a Canadian clientele. "There's ample inventory, bargain prices and a high Canadian dollar."

He says the median sales price on a singlefamily residence dropped to US\$370,000 in February 2011 (foreclosed median \$292,575) from \$395,000 in February 2010 (foreclosed \$336,570). The median sale for condos in February 2011 was \$135,000 (foreclosed \$131,330) compared with \$145,000 in February 2010 (foreclosed \$162,130).

In age-restricted communities, the value of homes has not dropped as severely as the broader market because they're less affected by distressed home sales and unemployment, says Larson.

Prices of houses in these more expensive adult communities, typically built around golf courses and clubhouses, are also more stable due to greater restrictions on property rentals and first time home buyers.

He adds some of his investors are taking advantage of Scottsdale's affordable prices and purchasing homes to rent. "It's a good time to be a landlord in Scottsdale with steady rents, plenty of tenants and excellent cash flow."

Despite the state's high unemployment, a declining Phoenix population and the strong shift from home ownership to rental, Larson sees a glimmer of sunshine in this winter's sales activity and flatter prices.

"We're getting closer to the tipping point where property values go up. If we see a couple more months like this past March, I can see a changing of the guard for homes in Arizona," says Larson.

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