

Canadians find refuge in Phoenix for themselves, their money

BY DAWNA FREEMAN, FOR POSTMEDIA NEWS OCTOBER 29, 2011

Canadians have been snapping up vacation and rental properties in Arizona, enjoying nearly two years in which the loonie was rising and house prices in the region were falling.

According to Tom Ruff, market researcher at The Information Market company, Canadians have surpassed the number of Californians buying property in Phoenix, with Albertans holding the most real estate.

Rattled investors and wary pre-retirees who watched some of their money disappear in the Great Recession or wilt away in low-interest savings accounts have been leveraging Arizona's bottomed-out housing market and America's weakened currency to park some savings, ride out the world financial storm and wait for housing prices and the U.S. dollar to go back up.

"There are incredible bargains here relative to other parts of the States," says Mike Orr, a real estate analyst and founder of the weekly Cromford Report on the Greater Phoenix housing market, noting Phoenix homes are one-third the price of California homes.

He says Canadians who are betting on the future strength of the market "feel they will gain additional profit from the exchange rate when the currency returns back to historical norms. That's the Canadian advantage."

Phoenix housing market prices plummeted 55.8 per cent from June 2006 highs and are sitting at 2000 levels.

New listing prices appear to have bottomed out, remaining relatively flat for the past two years, while inventory continues to fall across Greater Phoenix due to fewer foreclosures, lack of new construction and homeowners sitting tight until prices begin to rise.

Orr's Cromford Report showed 26,996 active listings as of Oct. 4, compared with 44,887 active listings one year earlier, a drop in supply from 6.7 to 3.5 months.

Under four months of inventory is regarded as a seller's market, but as Orr explains, the Valley's inventory is skewed by price range. This downturn reflects less than a month of inventory on property at the more active lower end.

David and Leanne Fullerton started thinking about buying a pre-retirement home in Phoenix last winter.

"We thought at the time we should get in while all conditions were favourable," said David, 49. "It was a perfect storm to buy. Stocks were at a two-year high at the end of last year, the Canadian dollar was stronger than the U.S. and we received a 40 per cent discount on the 2006 housing price."

Although it'll be another decade before the couple spends more than shoulder seasons in Arizona, they wanted to buy a home they could enjoy now, rent to cover homeowner expenses, and hold for future returns.

In January, the Fullertons paid cash (\$200 US/sq. ft) for their 2,100-sq.-ft twobedroom plus den home at Terravita Golf and Country Club, a private gated community of 1,400 households in the desert foothills of north Scottsdale, Ariz. The home came fully-furnished by the previous fractional owners, making it easier for the Fullertons to start renting.

The stock market turmoil only reinforced the downtown Toronto couple's decision to diversify into U.S. real estate for long-term use and investment.

"If we hadn't invested in Terravita, our stocks would be down 15 per cent from last year," said David, a senior vice-president and partner with a commercial real estate firm.

Charles Duck is a full service broker in Phoenix with the Solvere Group, which specializes in the national and international luxury home and condo market, multi-family communities and subdivisions. He says Canadians have been taking advantage of the exchange rate to boost their portfolios over the long term.

"Based on past history, Canadians buying today shouldn't go wrong having a certain amount of wealth in U.S. real estate if they intend to hold the property for a long period of time," says Duck, who serves clients from Tucson to Flagstaff. "As the U.S. economy strengthens and the U.S. dollar grows relative to the Canadian, the value of their wealth will increase too."

Katie Williams, a broker in Scottsdale, says she is just starting to hear second-home buyers cite the turbulent world economy as another reason to buy now. Although the majority of second-home buyers are of pre-retirement and retirement age, she says they are starting to see more families in their 40s with young children buying property as an investment.

Joe and Lisa Foose are about 10 years away from retirement but decided this spring when the Canadian dollar was sitting at \$1.05 US it was time to "get into the game. We could have waited two or three years, but who knows," says Joe, 48. "If prices go back up, we might not buy."

He speculates people who lost a percentage of their portfolio in the stock market crash a couple years ago might be inclined to put any cash they're sitting on into U.S. real estate rather than today's volatile stock market.

"At least you own something," Joe says.

Dan Willoughby, a Home Smart broker who specializes in the Northwest Valley, says Greater Phoenix is made up of micro housing markets. Communities are segmented by supply and demand, meaning a balanced Valley market can still be both a buyer's and seller's market depending on the area.

He says his clients - 90 per cent are Canadians and many still in their forties - know the market well. "Canadians are savvy buyers. They've done their homework. They are not deer in headlights saying "show me the Valley. The clients referred to me know the area they want, and sometimes even the community and the builder," he says.

They want to buy in the same area as family and friends. "They have similar lifestyles and intend to come down together, so they don't want to drive across the city for dinner or golf."

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