

Investing in rebounding Phoenix market

For a minimum of \$10,000, Canadians can join the Arizona Acquisitions Fund

By Jim Adair

For many Canadians, Phoenix is paradise, averaging 325 days of sunshine, only 7.66 inches of rain per year, and an average temperature of 22.5 C. The area attracts lots of Canadian vacationers and snowbirds annually, but now it's also attracting real estate investors.

Calgary-based CBI Group's Arizona Acquisition Fund plans to raise \$12.5 million (Cdn) to purchase 175 single-family houses in the Phoenix area. For a minimum investment of \$10,000, which is RRSP eligible, investors can join the fund and receive a six per cent annual bond interest "to be disbursed as cash flow permits" as well as a share in 60 per cent of net profits when the homes are sold.

That will happen, says the company, in five years when it believes Phoenix house prices will climb back to between 70 per cent and 80 per cent of pre-subprime levels.

CBI Group's principals are Ron and Travis Cadman, who have been in the development business for 23 years. Their other current projects include the Keystone Business Park near Calgary and The Lakehouse, a resort development at Sylvan Lake, Alta. The brothers have long been familiar with the Phoenix area, having worked there as teenagers with a develop-

er friend of their father's.

The area has been hard hit by the U.S. subprime mortgage crisis, putting the local real estate market into freefall. According to the Arizona State University Repeat Sales Index, house prices dropped for the 18th straight month in August, the worst house price slide in history. Prices fell 26 per cent from August 2007 to August 2008. The median price in August was \$186,000, the lowest since July 2005 when prices were on the way up.

Tom Caldwell, a partner with Brewer Caldwell Property Management, says that when the Phoenix real estate boom was at its peak in 2005, there were only about 7,000 listings on the local MLS. A balanced market is considered between 28,000 and 32,000 homes, but in October 2007, Phoenix inventory peaked at 59,000. It is now around 50,000 and about half of those houses are currently vacant as foreclosures have forced homeowners out.

CBI Group's Arizona Acquisition Fund is now taking advantage of the situation by seeking out entry and mid-level homes that will appeal to young families. The company says it is being very particular about the kinds of homes they are buying for the fund. Recently they invited some Canadian news publications,

including REM, to take a look at the homes they are buying.

So far 16 of the 175 homes have been purchased, mostly for about \$125,000 (less than half of what they were selling at during boom times). The average house has 1,863 square feet of space, and will rent for \$1,090 a month.

To qualify for the fund, the home must be no more than six years old, and have a minimum of three bedrooms and two bathrooms. The fund is interested only in specific family-oriented communities and homes that show "pride of ownership". All the houses must be within a mile of State Route 101, the ring road that surrounds Phoenix and its sprawling suburbs.

After purchasing the home, the fund makes about \$2,500 worth of improvements and places them on the rental market, which is active largely because of the number of foreclosures.

Why does CBI think the resale market will bounce back in five years? Caldwell, whose company handles the property management for CBI, says the bottom of the market has been reached and MLS inventory is now dropping. He says sales were up 90 per cent from January to October this year.

Although many Canadians think of Phoenix as a retirement



Ron Cadman, founder of CBI group, poses on the press tour with Aaron Dutcher, executive director and associate broker of Brewer-Caldwell Property Management.

destination, more than 50 per cent of the area's population is between 18 and 54, which is younger than the national average. Phoenix is well-known as a tourist destination for exclusive resorts, golf, spring training baseball and the natural wonders of the desert. But the area also boasts a diversified economy with large health-care and government sectors, which are well positioned to handle tough economic times. The area also has a major technology sector, with head offices for companies such as Intel, Motorola, Honeywell and Boeing. Other firms with large operations in the Phoenix area include American Express, Phelps Dodge, Prudential, Charles Schwab and Mayo Clinic.

Phoenix is the fifth-largest city in the United States, with a population of 1.5 million. Arizona has the second-highest population growth rate in the U.S. and the third highest rate of job growth.

For Canadian investors, Travis Cadman says the fund offers a hassle-free opportunity to buy U.S. real estate. Investors who want to buy a home in the United States themselves and rent it out have to deal with managing and maintaining the property, finding tenants and dealing with legal and taxation issues. In some parts of the U.S. there are specific regulations to limit foreign investors.

For more information: www.CBIArizona.com or www.CBIGroupInvestments.com

■ REM

Together we have all the tools

To ensure your clients get the most comprehensive coverage in one title insurance policy, take a look at the TitlePLUS® Program¹.

PROTECTION AS GOOD AS IT GETS

1-800-410-1013

titleplus.ca

Title PLUS®



¹ Please refer to the policy for full details, including actual terms and conditions. The TitlePLUS policy is underwritten by Lawyers' Professional Indemnity Company (LawPRO®)/Assurance LawPRO®. Assurance LawPRO is the registered name used in Québec by Lawyers' Professional Indemnity Company. Contact LawPRO for brokers in Saskatchewan, Manitoba, Alberta and Québec. TitlePLUS policies issued with respect to properties in Québec and OwnerEXPRESS® policies do not include legal services coverage.

® Registered trademark of Lawyers' Professional Indemnity Company.