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King Loonie comes knocking

Armed with currency that now packs a punch, Canadians are 'coming over the wall,' one real estate agent says of the U.S. market

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There may never be a better time to consider becoming a snowbird.

If you yearn for Palm Springs when the snow starts to blow, or beachfront property across the border from Vancouver or just somewhere warm to go when the kids move out, now may be your best opportunity to grab hold of the dream.

It's been a very long time since Canadians shopping for real estate options south of the 49th parallel have had this much going for them.

A soft U.S. housing market, jittery American sellers, fearing the ill effects of the credit-crunch fallout and the loonie reaching parity with the greenback, have combined to create a very friendly situation for Canadians looking to enter the U.S. housing market.

Just a short drive south of the Washington State-B.C. border sits the Horizon at Semiahmoo Resort community, a 650-home development spanning 200 acres nestled on the shores of the Strait of Georgia. When the developers began planning the project, they figured that about half the homes would be snapped up by residents of nearby Seattle, and the other half by Canadians.

That was before parity became a buzzword. Now it appears as though more than 85 per cent of the residences will be sold to Canadian buyers, according to Vince Taylor of Pilothouse Real Estate Inc. in New Westminster, B.C.

"When the magic parity hit the other day, our phones started to ring," he says. "Everybody wants to find U.S. real estate. The Canadians are coming over the wall. They didn't build the wall big enough."

With "nothing more than the pesky border" separating Semiahmoo from Canadians looking for an attractive "green" community for a summer home, Horizon has become coveted real estate. The average price of a house in Semiahmoo is about 50 to 60 per cent less than a similar home in nearby White Rock, B.C., Mr. Taylor says.

"You take a spectacular project like Horizon, you couple that with a credit crunch and a softening U.S. economy, and parity on the dollar, and you just have this amazing selection of circumstances," he says. "I can't believe the difference on all our U.S. products - how the phone has started to ring recently."

But it's not just in Semiahmoo that Canadians are finding bargains; prices in places such as Maui are suddenly downright "wowie."

"The stuff that we have in Hawaii is absolutely on sale from a Canadian point of view," Mr. Taylor says. "The markets are soft, the prices are great, and now Canadians can afford it in unprecedented ways."

Another advantage that Canadians have is their attitude toward mortgages. One of the reasons the U.S. credit market collapsed was that people were signing up for mortgages with deposits that sometimes totalled less than 5 per cent of the cost of the property, and then were unable to meet the payments.

Canadians are used to putting more money down on a house initially, so while it might be difficult for Americans to get money in the United States, banks are taking a longer and more favourable look at Canadian mortgage applications.

"We always put down 20 per cent in Canada, so what do we care?" Mr. Taylor says.

Canadians are also scrambling to scoop up property as prices plummet in other areas, such as Palm Springs, Calif. Local Re/Max agent Michael Layton says he's entertaining a near constant stream of northern visitors on the lookout for retirement digs.

"I'm seeing a lot of people who are on that cusp - four to 10 years out from retirement - and they're thinking now is a good time to buy," he says.

Most of the Canadians Mr. Layton is dealing with come from Toronto, Vancouver and Calgary, and they arrive with ready cash. As the market has softened and American homeowners have been shaken by the credit crunch, Canadians are becoming increasingly attractive to American sellers.

"I've found that the sellers are a lot more willing to wheel and deal," Mr. Layton says. "They're getting very nervous, so now more than ever, it's a great time to buy because I've had sellers who are adamant they aren't going to go below a certain price all of a sudden ... drop it \$15,000 below that price if they smell a buyer."

It's not that the properties are bad or that anyone is worried about an out-and-out market crash, it's just that with so many people looking to sell all at once, it's truly a Canadian buyer's market, he says.

A quick glance at the MLS.com website reveals just how real the credit crunch is. In addition to those in Palm Springs, home and condo prices in Phoenix and Miami have also been slashed. Mr. Layton says that before the credit crunch, the housing market in California was so robust that agents routinely didn't bother running numbers to attempt to discern the true value of a home.

"If the house down the street sold for \$500,000 last week and you wanted to sell your house, I'd say let's try for \$520,000," he says. "We didn't do statistical analysis of what the market will bear because the market was growing at 10 to 15 per cent a month. People began pricing their properties without doing their basic homework."

As 2005 came to a close, sellers were still fixated on those never-before-seen numbers, and expected they would have to take only about \$10,000 off the price to find a buyer, Mr. Layton says. The reality was that prices had to come down much further.

Now, he says, most of the Canadian buyers he works with come in with cash and are able to drive a hard bargain against prices that have returned to earth.

"Cash is definitely king," he adds. "With the lenders defaulting and people hearing the big names like Countrywide [Financial Corp.] have problems, then they really start to get nervous. And then I bring them an offer from a Canadian buyer with cash and it's closing in 30 or 35 days - those sellers stay up late thinking long and hard about that offer."

While some real estate agents, like Mr. Layton, have had to do little to encourage Canadians to come south to find the vacation home of their dreams, others have been more aggressive in spreading the word about the advantageous situation for Canadians.

Forty-five minutes up the road from Palm Beach, Fla., sits the community of Spanish Lake Resorts in St. Lucie County, where the developers are offering a free two-night stay at a local hotel for Canadians dropping in to check out properties.

"We are seeing lots of inquiries this season," says Mary Beth Bittan, director of international sales and marketing for Spanish Lake Resorts. "It's a great time for Canadians to buy because of the fact the dollar has such a strong value comparable to the American dollar."

It's so strong, Spanish Lake is accepting straight-up transactions in Canadian dollars for the homes at their resort, which start at \$130,000 (U.S.).

While the situation is currently tilted in favour of Canadians, the window on U.S. housing bargains probably won't remain open forever. Some economists believe currency parity may last into 2008 and possibly 2009, but Mr. Layton doesn't see the real estate situation staying the way it is for long.

"The builders are cutting back and I think it's going to level itself out," he says. "I don't think it's going to take a full two years to come back to balance and be a much more even market. But right now we have a high inventory and so the buyers are definitely in the driver's seat."

"I think our market has a little bit of a cushion, because we are where retiring people are going to retire to - they're not going to retire to snowy, cold places."

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