

The Opportunity

Why Do You Want to Buy U.S. Real Estate?

Rob, Cathy, and their son Andrew were carpooling with Terry and her son Michael to the boys' playoff hockey game at the Icedome in north Toronto. The boys—both forwards on the Blackhawks team—were busy in the backseat reviewing, in between Game Boy victories, the break-out strategies their hockey team had practiced the previous evening. The morning was frosty, and the parents were talking about the long, cold winter, the fact that the playoffs marked the end of another busy hockey season, and how they were looking forward to the warmer spring weather that was fast approaching.

This time of year was especially busy for Terry, a real estate broker, and Rob and Cathy were getting used to the nonstop calls Terry was taking on her cell phone. They didn't want to appear nosy, but their curiosity was piqued as they overheard Terry speaking about the state of the housing market in the U.S., foreclosures, mortgages—and warm weather.

Cathy finally chirped up and said that her next-door neighbour and a colleague at work just purchased vacation property in the U.S. Terry nodded and told her, "During this last year, a number of Canadians and associates have purchased real estate in the U.S. And this trend is on the rise."

Rob said he was not surprised to hear this—so far, two of his colleagues had purchased property in Florida that winter. Both felt they got a great deal on their properties, as prices in the areas they purchased had declined more than 50 per cent compared with a few years ago and the Canadian dollar was close to parity.

Cathy echoed Rob's thoughts: "Rob and I have talked about how nice it would be to buy a property somewhere warm to escape these cold winters, and to have it for retirement. From what we're hearing and reading, we don't know if we will ever again get such a great opportunity to buy real estate in the Sunbelt, what with prices this affordable compared to just a few years ago, our loonie this high, and interest rates this attractive. It seems like now is the time to really think this through."

Terry responded, "I have read statistics that tell us that Canadians were one of the larger groups of foreign buyers of U.S. real estate in 2011. Unfortunately, many Canadians don't understand all the factors involved in buying in another country; some aspects of the process of looking for, and making an offer on a property may be similar to how it works in Canada, but the U.S. is a different country, with different tax, estate, and other rules and laws.

"Consideration also needs to be given to health care, as well as insurance issues. And there are several important money-saving and asset-protection strategies that should be considered and incorporated into a U.S. purchase plan. It is not as easy as just looking online at a few properties or going to a seminar where properties are showcased and buying one," continued Terry.

"So what type of questions are Canadian buyers typically asking?" inquired Rob.

"Essentially, while there is a great deal of interest and excitement about the prospect of purchasing a U.S. property, there is also fear of the unknown, and most questions revolve around how to start," replied Terry.

"That's exactly how I feel," Cathy responded. "While it sounds fantastic, we really don't know who to contact or how we should go

about obtaining information. I read and hear about other Canadians purchasing real estate in Florida and other parts of the U.S., but I'm unsure of how to proceed. We're trying to balance the need to act with the realization that this would be a big investment—and that it took years to manage and save our money, and pay off the mortgage on our house. We need direction.”

Terry replied, “I have created a buyer’s program that provides information and resources for Canadian buyers on many factors they should understand before purchasing U.S. real estate. There are important rules and compliance tasks that Canadians need to be aware of if they own property and spend time in the U.S. A Canadian buyer of U.S. property should consult with cross-border financial and legal professionals to ensure they understand and structure the transaction appropriate to their individual needs and situation. The program outlines appropriate tools and resources and, through the network, Canadians can access cross-border mortgage professionals, as well as U.S. real estate brokers, to assist them in the process.”

Terry’s phone rang again and she excused herself.

“Cathy, if it’s all right with Terry, maybe now is the time to get more information from her on how we could buy a Florida home. She may be able to give us the answers to some of our questions—house or condo? On the ocean or a lake? Imagine being able to play a few rounds of golf each month, and go boating and fishing!” said an excited Rob.

“What would we do with the house when we weren’t there? Would we rent it out, and if so, to whom?” asked Cathy.

“Hey, Mom, are you and Dad buying a house in Florida?” asked Andrew. The conversation has caught the boy’s attention.

“Just ask my mom about real estate,” said Michael, rolling his eyes.

Rob laughed. “Yes, we can see how busy your mother is. Do you get to visit the sunny south with your mom?”

“Sometimes. It sure is a lot warmer there in the middle of winter. I usually go during Christmas break, March break, or at Easter.”

“Do you like it? Is it cool?” asked Andrew.

“Yes, it’s fun. I get to see my grandma and grandpa, and sometimes my cousins. We all go together,” said Michael.

“Sounds like a great time,” replied Cathy.

Rob pulled the van into the arena parking lot just as Terry finished her phone call. As Rob was pulling out the equipment bags, Andrew piped up, “Hey, Mom, can we go with Michael and Terry and their family on a trip to Florida? I remember the last time we went—it was so much fun.”

“Boys, it’s time to focus on your game. We win and we advance. Remember the skills your coach had you work on this week. We’ll talk about Florida later,” said Cathy. She leaned over and whispered to Terry, “I have a few real estate questions—can we chat after the game?”

The boys gathered up their hockey bags and skates. The parents grabbed their blankets and cushions, and off they went—the boys to the dressing room and the parents to find seats to watch and cheer them on. Playoff hockey at the boys’ level was exciting; the boys were skilled, highly competitive, and old enough to understand the importance of teamwork, strategy, and a game plan—aspects not unlike buying a U.S. property. The key words are “game plan” and “strategy.”

The boys played hard and doubled their opponents 6–3. Michael and Andrew had two assists each. As was customary during playoffs, many of the parents gathered for dinner after the game.

“Meet at the restaurant in 15 minutes,” confirmed Jay and Helen.

“Sounds great. See you there,” responded Rob.

The boys loaded their equipment into the van and Rob, Cathy, and Terry were on their way. “Way to go boys—one step closer to the championship,” said Terry.

“Thanks! Hey, Mom, is Andrew coming with us on our next trip to Florida?” asked Michael.

“Boy, that didn’t take long, did it?” laughed Terry. “We’ll talk about it.”

Cathy and Rob glanced at each other and smiled. Cathy added, “When convenient, we would really like to find out more about the buying a property in Florida.”

“I would be delighted to share the buyer’s program with you. Let’s set up an appointment to go through your questions and thoughts and see if this is a route you would like to explore,” replied Terry.

“Brrrr, somehow this cold really goes through me,” said Cathy, shuddering. “It sure would be nice to escape this weather for a little while every year.”

They arrived at the restaurant, and Andrew ran ahead to find the team. “Hey, everyone,” he announced, “my parents are buying a house in Florida, and you are all invited.”

All eyes turned toward Rob and Cathy, who had by now caught up. “Oh, wow! How lucky are you?” said one of the parents.

“Where in Florida?” asked another.

“Hold on, everyone! And don’t get ahead of yourself, Andrew. We overheard Terry on the phone speaking about U.S. real estate during the drive up, and we’re having a meeting to learn more about how all of this might shake out. Nothing is etched in stone; we are just exploring the opportunity at this point,” said Rob.

Laughter broke out among the group. “No secrets with kids!” exclaimed one of the parents.

Roger broke into the conversation: “Eliza and I have been considering doing the same. Just look at the decline in prices. And with the strength of the Canadian dollar, this may be the opportunity of our lifetime.”

“I understand your enthusiasm,” said Terry. “But keep in mind, there are a few important things you need to consider beforehand. For example, are you considering purchasing a vacation property or an investment/rental property? Have you thought about how buying a U.S. property fits into your longer-term financial plans? Real estate is a major purchase—finding and buying the property is the easy part. Although purchasing a vacation property is an investment, be careful not to confuse a lifestyle purchase with an income/rental

property purchase. These different types of purchases have different purposes and considerations. For example, with an income/rental property, property management, tenants, cash flow, and filing tax returns come with the territory. It is important that you look at the big picture—what is your long-term strategy?

“Some U.S. laws may be the same as in Canada, but some may not be the same. It is very important that you be in compliance with U.S. laws. Although the U.S. and Canada share a long border and economic ties, remember, it is still a different country.”

Helen said, “I have read that there are a number of foreclosed and short sale properties on the market. Are these the same thing? How do we find these opportunities?”

“My U.S. colleagues have told me that there are numerous foreclosed, short sale, and bank-owned properties available, as well as other options,” said Terry. “Similar to purchasing real estate in Canada, it is prudent to determine your primary motivation—your reason for purchasing, as this will segue into the type of property, location, and price, among other considerations. If you are thinking of purchasing an investment property, ask yourself what your goals are: Do you plan to hold on to the property in anticipation of potential future appreciation and renting the property for the duration, or is yours a buy, fix, and flip strategy? If you are contemplating purchasing a vacation property, you should consider your planned lifestyle, such things as square footage, number of bedrooms and bathrooms, single-family freehold or perhaps a condo, location, amenities, and, of course, maintenance, just to name a few things. Do you plan to keep the property long term and use it during your retirement years?”

“There is a great deal to think about,” Terry continued. “Your reason or purpose for purchasing will impact other important decisions that you will need to consider and make. Will you be paying cash for the property, or will you need to arrange for a mortgage loan, and if so, from a Canadian or U.S. lender? Have you thought about titling, insurance, and property maintenance if you are renting the property? What state and city interest you—why, and how accessible

is transportation to there? Are you attracted to the prospect of investing in the U.S. because of the current opportunity to purchase real estate at reduced prices compared to levels of a couple of years ago, with a close-to-parity dollar and attractive interest rates? If you are keen to purchase, what is your exit plan?

“Each Canadian buyer should have a cross-border plan—a system—with experienced cross-border professionals assisting them along the way. Why don’t we celebrate the boys’ victory, and later we can set up a team meeting for anyone who has questions or wants additional information on the process. I’ll introduce you to the Personal Property Purchase System, which is designed for Canadians buying U.S. real estate,” said Terry.

“Sounds great!” said Rob.

After dinner, over coffee, Cathy volunteered to send out a group e-mail advising of a date, time, and place for anyone interested in learning about purchasing U.S. real estate to meet to discuss the program. Judging from the nodding heads, she could tell that the level of interest was definitely high.

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