

Snowbirds snapping up Sunbelt bargains

April 15, 2010

Paula Kulig

Special to the Star

Jerry Iacobucci has always wanted a place in Florida to call home. Last month, he found it.

The Toronto resident bought a three-bedroom, two-storey condominium in Sarasota, Fla., part of a 17-hectare development that includes two swimming pools, tennis courts and a man-made lake. Golf courses are nearby, as is Siesta Key Beach, where pristine white sand helps it rank among the world's top beaches.

"I went down there with the intention of buying a two-bedroom, but when I was there, I fell in love with the three-bedroom," says Iacobucci, a father of two girls, 21 and 16, whose wife died two years ago. He paid \$99,900 (U.S.) in cash for the condo, which a couple of years ago was worth between \$249,000 and \$269,000.

Deals like that are everywhere in Florida — as well as other southern states such as Arizona and Nevada. In fact, home prices have dropped throughout much of the U.S., thanks to the subprime mortgage crisis and overall economic sluggishness.

But Florida remains the first choice for Canadians. "Over the last two or three months, there's been an explosion of people coming to get information about buying in Florida," says Brian Ellis, vice-president of [Florida Home Finders of Canada](#), a Brampton company that researches the market and facilitates purchases.

"There has never been a time like this for Canadians to buy a place in Florida," he says, citing the loonie's near-parity with the U.S. dollar, historically low Florida prices relative to those in Canada, and a stable banking system here that makes it easier to obtain financing.

Despite the favourable conditions, Ellis warns potential buyers to make sure their condominium homeowners' association, which is like a condo corporation in Canada, is adequately funded. When an association is underfunded — usually because too many residents have abandoned units that were worth less than the value of their mortgage



VINCE TALOTTA/TORONTO STAR

Jerry Iacobucci recently took advantage of the depressed real estate market in the US by buying a three-bedroom condo in Sarasota, Fla. Jerry hopes to retire there some day, while daughters, Nicole, 21, and Michelle, 16, are looking forward to sunny vacations.

— it means the remaining owners face higher payments for the building's upkeep.

"You're getting people saying, 'I can buy a condominium for \$20,000, \$30,000, \$40,000.' And you can," he says. "The problem is, they're in buildings where there's a huge amount of bankruptcy and foreclosure."

Florida Home Finders deals with developers, who will often buy part of a condo project that hasn't sold and, in turn, offer units for sale. Ellis says single-family homes are less popular because of increased maintenance and security costs for Canadians who aren't in Florida year-round, and exorbitant prices for hurricane insurance — up to tens of thousands of dollars a year.

Canadians also need to be aware of the tax implications of buying a home in the U.S., either as a vacation property or for investment purposes, says Heather Evans, a tax partner with Deloitte & Touche in Toronto. She points to three key pitfalls:

- Depending on the state, non-residents owning property can expect to pay a higher rate of property tax than residents. Florida is one of those states.
- If buyers rent out their property, they'll be responsible for filing a U.S. tax return and paying U.S. tax on that income. They'll also have to report any rental income on their Canadian tax return, but they'll get credit for the U.S. tax paid. In addition, there's a 30-per-cent withholding tax that applies to rent paid to a Canadian resident.
- The U.S. has long had an estate tax upon death, but due to an unusual piece of legislation passed in 2001, there is no tax in 2010. Calling it a "very curious situation," Evans says it's widely expected that the government will introduce new legislation to bring back the tax, especially given its current financial woes. She notes, however, that Canadians who buy property worth less than \$200,000 have little to worry about, because the tax is graduated and relief is provided under an income tax treaty between Canada and the U.S., as well as under the Internal Revenue Code.

As for Iacobucci, who works in management for a major grocery store chain, his condo was already a rental property with tenants when he bought it, and he plans to keep it that way for now. But with plans to retire in the next couple of years, he says ideally he'd like to live in Sarasota for half the year.

"I can picture myself bringing my (future) grandkids down and taking them to Disney World," he says.

'The deals are extraordinary'

"If you're a Canadian and you are looking to get a second home in the U.S., now is the time everywhere."

So says Harold Green, a partner in [Central Showplace Corp.](#), which works with developers to scout homes in the U.S. Sunbelt and promote them from a Toronto office. "There are deals to be had anywhere in the U.S. There are some places, like Las Vegas and Miami, where the deals are extraordinary. All of Florida has great deals."

Brian Ellis of Florida Home Finders of Canada points to Naples, Fort Myers, Sarasota, Orlando, Tampa, West Palm Beach, Fort Lauderdale and Miami as the most popular places in the state for Canadians to buy property. The company's website lists several developments where deals on condos are available, including one-bedroom suites for \$59,900 in Naples and Sarasota, and two- and three-bedroom units in an exclusive West Palm Beach adult-lifestyle community starting at \$114,990.

HomeSmart, specializing in helping Canadians buy homes in Arizona, lists thousands of properties on its website. In upscale Scottsdale, a two-bedroom patio home can be had for \$65,000, while a few condos start at less than \$20,000, with dozens less than \$100,000.

“When people talk about the best place, the best place is all about promise,” Green says. “What is it going to be like when you’re there, what are you going to experience?”

— **Paula Kulig**

[Read the full buying a home special section.](#)