CONTACT US

ph: 604-688-2398

fx: 604-688-1963

subscribe@biv.com

ads@biv.com

news@biv.com

Vancouver investors looking to raise Phoenix real estate from the ashes

U.S. market peculiarities underscore the importance of due diligence before buying properties

By Glen Korstrom

Dramatically low home prices in Arizona are encouraging many Vancouverites to invest in what many believe is a get-rich-quick strategy.

Others, however, are reluctant to gamble on U.S. real estate because of their fears about investing on their own in a foreign country where laws are different and tax regulations can be confusing.

TheKey.com CEO Cam Good aims to capitalize both on that reticence and on strong demand from Vancouverites to cash in the depressed Phoenix real estate market.

"All the big real estate investment trusts (REITs) and large organizations are doing it," said Good, a Business in Vancouver Top Forty under 40 winner in 2010. "I know wealthy business people who have bought literally thousands of residential properties this year down there."

A recent Leger Marketing Survey found that one in five Canadians would consider buying a home in the U.S.

But Good believes many so-called mom-and-pop investors have been left out in the cold.

They lack the time, capital or sophistication to buy investment properties in the Grand Canyon State.

Good, who has sold more than $4 billion worth of real estate across Canada in the past seven years, has partnered with experienced Arizona real estate investor and developer Anthony Miachika to create Terrizona Investments and its American Homes Fund (AHF).

Good said he and Miachika plan to sell shares in the fund up to a cap of $10 million.

British Columbia Securities Commission rules stipulate that, for the kind of unregistered security that Good is selling, the minimum investment must be at least $50,000, and that's what Good is offering.

Terrizona's fund will buy single-family homes, which Good believes are the area's most undervalued class of real estate.

Terrizona's team will then rent and maintain the properties before selling them.

In exchange, the fund managers get a 1.5% annual fee.

According to Good, once the fund's investors have made at least a 7% annual return on their investment, fund managers will pocket 25% and investors will split the remaining 75% of any additional proceeds from home sales.

Good believes this model provides incentives for fund managers to buy and sell at the appropriate times.

Fund managers can be voted in and out of office by investors.

But cashing in fund shares is not as easy as liquidating an exchange traded fund.

Investors will be able to cash a portion of their investment if they can make a case that they need the money for personal reasons. Otherwise, they will be told to hang in until properties are sold, Good said.

"The fund ends when the market comes back in the U.S., and we sell the properties. It's not a fund designed for us to, for example, sell half the properties and buy new properties," Good said. "Every time we sell properties, the money flows back to the investors. So they'll get their money back and the fund will come to an end. That's not typical for these kinds of funds." •

gkorstrom@biv.com

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