



Investing in real estate brings joy and profit

Forty-one per cent of vacation property owners are over 55 years of age

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As baby boomers look towards retirement, many are investing in real estate, often purchasing vacation properties.

According to an Angus Reid Strategies poll conducted in May, one in seven Canadians owns a vacation property and one in four would like to purchase recreational real estate in the future. Forty-one per cent of vacation property owners surveyed are over the age of 55, at the top end of the baby boomer bracket.

Analysts anticipate that peak baby boomers will go on buying vacation homes until the end of the decade, while the next group of boomers is likely to continue the trend until 2014 or later.

"Luxury recreational property sales are set to soar as affluent baby boomers drive demand for upscale product from coast to coast," says the 2007 Re/Max recreational property report.

The trend is similar in the U.S., notes the National Association of Realtors: "Baby boomers in their peak earning years are igniting demand for second homes near beaches, lakes, ski resorts and golf courses."

According to the association's former chief economist David Lereah, "we're seeing the baby boomers nearing retirement age, and we're seeing real estate play a more prominent role in their investment planning because of their memories of the stock market declines."

Particularly for the most prosperous boomers looking to invest their wealth, concerns about stock market fluctuations are among the main reasons they choose real estate, says Ottawa-based ScotiaMcLeod director and senior investment executive David Cork. A boomer himself, Cork specializes in the impact of demographics on social and economic life. The co-author of the bestselling *The Pig and the Python: How to Prosper from the Aging Baby Boom*, he says "the stock market blows real estate markets out of the water over time, but doesn't work out for a lot of investors because they see its volatility and don't handle it very well. With real estate, it's out of sight, out of mind, and you get to hang out in it, too."

Other factors also steer the boomers towards the lakefront property or ski lodge. "It's a natural time for people to want to own that cottage and they can afford it," says Cork. "It is also a time when boomers' parents are starting to pass away. That obviously has negative emotional implications, but it has positive implications from a financial perspective, in that they are starting to inherit.

"Significant amounts of wealth have been created in this country since the end of the Second World War and we are now seeing the results. A massive wealth transfer is taking place. So, there's the element of wealth storage. When you have excess wealth, what do you put your money into?"

He says the four main investment possibilities are cash, bonds, stocks and real estate.

"Obviously, some of your money goes into RRSPs, but that brings you no joy," says Cork. "I work in this business and I don't think people are able to build a family outing around their RRSPs."

But, with cottages in particular, "there's the element of building that generational place, where families stay connected and memories are retained. There is no doubt that boomers are putting significant pressure on the market, especially given the common wisdom that there is a limited supply of wonderful lakefront property."

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