

For Immediate Release

Generational Trends Report Reveals Market Confidence and Transfer of Wealth to Next Generation Home Buyers, According to Mustel Group and Sotheby's International Realty Canada

74% of urban boomers advise real estate investment to next generation; one-third gifting "living inheritance" to enable purchase

Toronto, Ontario (December 5, 2017) – A new report released today by [Mustel Group](#) and [Sotheby's International Realty Canada](#) reveals new insight into intergenerational wealth transfer in Canada's largest metropolitan real estate markets.

The **2017 Generational Trends Report: Canada's Intergenerational Wealth Transfer & Next Generation Home Buyers** is the first report to capture current levels of real estate market confidence amongst Vancouver, Calgary, Toronto and Montreal baby boomers, and to analyze the translation of this sentiment into the transfer of "living inheritances"– gifts of funds while still living– to family members to buy a home. The report uncovers new intelligence on the characteristics of beneficiaries, as well as the amount and source of funds given, property types and pricing of properties purchased, timeline for such transfers of wealth, and the impact of funds on recipients' ability to obtain a property and mortgage. It also highlights regional nuances, plus differences in trends between households with incomes over \$100,000 compared to those with incomes below.

According to Jami Koehl, Principal of Mustel Group, "Baby boomers make up close to 30% of Canada's population and have had a significant impact on the housing market over the years. Results from this recent survey reveal how this influential cohort is specifically making a mark on a new generation of homebuyers in the country's largest metropolitan areas."

The 2017 Generational Trends Report reveals that with baby boomers' confidence levels enduring in major real estate markets, their transfer of wealth to next generation home buyers is well underway.

"Baby boomers affect the Canadian real estate market on multiple levels: as direct consumers who drive housing demand and product mix, as arbiters of market confidence, and as indirect influencers through their financial support of next generation home buyers," says Brad Henderson, President and CEO of Sotheby's International Realty Canada. "Anecdotally, we have known that funds from the 'Bank of Mom & Dad' have been flowing into the market – this new report sheds light onto some of the critical details."

Highlights

Findings from the Mustel Group/Sotheby's International Realty Canada survey reveal the following trends:

Urban boomers remain bullish about the future of Canadian real estate:

- A majority of boomers across Canada's four largest metropolitan areas have experienced strong real estate gains relative to their financial investments, and remain confident that real estate will outperform or match financial portfolio returns in the future.
- Overall, 61% of urban baby boomers indicated that their real estate investments have outperformed their financial investments. Those in Vancouver and Toronto are most likely to state that their property investments have outperformed financial investments at 72% and 68% respectively. 47% of Montreal baby boomers believe that real estate has surpassed the return on their financial investments. In spite of sustained market uncertainty, 46% of the Calgary cohort

indicated they have seen stronger returns on real estate than on their financial portfolios, while 26% believe performance has been the same.

- Those who own real estate tend to expect returns to outperform financial investments in the next five years: overall, 47% anticipate real estate gains to exceed financial investments', 28% anticipate on par performance. Vancouver boomers are the most optimistic about future property values: 61% expect a better return on real estate than on their financial investments, compared to 48% of those in Toronto. In Montreal, 42% of this cohort anticipate stronger real estate returns and 32% expect performance to be on par; 34% of Calgary baby boomers expect real estate to outperform financial investments, while 35% expect returns to be on par.
- Overall, Canadian boomers believe that a real estate purchase in their city is a positive financial move for the average person right now: 57% deemed it a "very good" or "good" investment. Montreal baby boomers are the most optimistic: 64% believe that real estate is currently a "very good" or "good" investment, compared to 57%, 55% and 48% of those in Vancouver, Toronto and Calgary respectively.

Canada's urban baby boomers endorse real estate to next generation buyers:

- 74% of urban baby boomers surveyed recommend that the next generation of prospective home buyers purchase real estate in their city.
- Montreal and Calgary baby boomers are the most likely to recommend a local real estate purchase at rates of 83% and 82% respectively, while those in Toronto and Vancouver recommend at rates of 71% and 66%.

With one-third of boomers gifting living inheritances to next generation home buyers in their families, Canada's intergenerational transfer of wealth into real estate is well underway:

- One-third of baby boomers across Canada's four major metropolitan areas plan to, or have already given, a living inheritance with the specific goal of helping relatives to buy residential real estate. A similar proportion plan on giving such a gift as part of their will.
- Of living inheritance givers, 12% have already transferred funds to beneficiaries. 22% plan to do so in the future, with almost half of this segment planning to do so within the next five years.
- Calgary boomers are the most likely to have already transferred, or to have plans to transfer funds for this purpose: 41% indicated a gift or pending gift. 36% of Vancouver boomers, 35% of those in Toronto and 27% of those in Montreal have given or intend to give a living inheritance for family members' residential real estate purchases.
- 60% of living inheritance givers of real estate funds indicated that there was or will be a specific trigger that prompts or enables their gift. That factor is more likely to be the sale of their financial investments, cited by 21% and the sale of their primary home, cited by 17%.

Adult children ages 30-34 are the main beneficiaries:

- 87% of urban boomers who have given or plan to gift living inheritances for a real estate purchase will give to their children.
- Recipients' median age range is 30 to 34 years at the time of receiving the gift.

The median amount gifted as a living inheritance for real estate is between \$25,000 and \$50,000:

- The median of a living inheritance transfer for real estate purchases is in the \$25,000 to \$49,999 range for the Vancouver, Calgary and Toronto metropolitan areas.
- In Montreal, the median gift range is lower at \$10,000 to \$24,999.

First homes/primary residences dominate beneficiaries' purchases:

- Living inheritances gifted by urban boomers for real estate purchases are largely used by recipients to buy a first home/primary residence: 82% indicated their gift would be used for this.
- This rate was highest in Vancouver at 90%, followed by Calgary, Toronto and Montreal at 86%, 83% and 74% respectively.
- Overall, 30% of baby boomers indicate that beneficiaries buy properties under \$350,000, with 28% of purchases between \$350,000 to under \$500,000 and 15% between \$500,000 to under \$750,000. Property types purchased vary, but are split largely between condominiums and single family homes.

For many next generation home buyers, living inheritances are essential to accessing the real estate market:

- In light of escalating housing prices and rising mortgage rates, findings from Mustel Group/ Sotheby's International Realty Canada's report reveal that this transfer of wealth is opening doors to homes and borrowing options otherwise unavailable to many recipients.
- Overall, 44% of past or intended living inheritance givers believe that their recipient(s) would not have been, or will not be able to make their home purchase without their gift.
- Over one-third of givers believe that without their gift, their beneficiary could not secure a conventional mortgage.

Income inequality is transferring to next generation home buyers:

- Survey results indicate that annual household income has a significant impact on living inheritances between urban baby boomers and related home buyers within their families.
- Those with annual household incomes of over \$100,000 are almost twice as likely to gift a living inheritance for the purpose of buying real estate: 49% indicated that they plan to or have given funds for this, compared to 27% of those whose household incomes are below \$100,000.
- Household income also affects how early beneficiaries receive their gift: 83% of recipients from baby boomers with household incomes of over \$100,000 are under age 35 compared to 70% of those with household incomes below \$100,000.
- The amount of funds transferred predictably varies with household income: the median amount given by those with household incomes under \$100,000 is approximately \$25,000, with 72% of living inheritances falling under \$50,000. In contrast, only 53% of living inheritances gifted by those in households with income over \$100,000 are under \$50,000; 25% are between \$50,000 and under \$100,000, 10% are between \$100,000 and under \$200,000, 10% are between \$200,000 and under \$500,000, and the remainder of gifts are over \$500,000.
- Not surprisingly, beneficiaries of baby boomers with household incomes over \$100,000 are slightly more likely to purchase homes in higher price ranges: 19% purchased homes from \$500,000 to under \$750,000 and 10% purchase over \$750,000, compared to rates of 12% and 9% for recipients of less affluent baby boomers.

The report is based on findings from a survey of 2,026 urban baby boomers (ages 52-71) in Canada's four largest census metropolitan areas (CMAs): Vancouver, Calgary, Toronto and Montreal. Data was gathered from August 29 to September 25, 2017.

For more information on Mustel Group and Sotheby's International Realty Canada's **2017 Generational Trends Report: Canada's Intergenerational Wealth Transfer & Next Generation Home Buyers**, please contact:

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Disclaimer

The information contained in this report is based on data from a survey of 2,026 urban baby boomers (ages 52-71) in Canada's four largest census metropolitan areas, Vancouver, Calgary, Toronto and Montreal, conducted from August 29 to September 25, 2017, as well as insights from Sotheby's International Realty Canada. While the panel sample is demographically representative, margins of error only apply to random probability samples. The margin of error on a random probability sample of 2,026 respondents is ± 2.2 percentage points, 19 times out of 20, and ranges from ± 3.5 to 4.9 points for 400-800 respondents. Mustel Group and Sotheby's International Realty Canada caution that such research and data can be useful in establishing trends over time, but do not imply causation with sales activity or real estate market performance. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information and analysis presented in this report, no responsibility or liability whatsoever can be accepted by Mustel Group, Sotheby's International Realty Canada or Sotheby's International Realty Affiliates for any loss or damage resultant from any use of, reliance on or reference to the contents of this document.