Sotheby's Canada TOP-TIER GENERATIONAL TRENDS A Comparative Study of Top-Tier Real Estate Trends Across Generations in Canada

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INTRODUCTION

Combining the world's most prestigious real estate brand with local market knowledge and specialized marketing expertise, Sotheby's International Realty Canada is the leading real estate sales and marketing company for the country's most exceptional properties, with offices in over 30 residential and resort markets nationwide.

Sotheby's International Realty Canada conducts a series of annual reports and surveys to capture relevant market data and consumer trends within the country's largest metropolitan centres.

The findings of the 2015 Top-Tier Generational Trends Report: A Comparative Study of Top-Tier Real Estate Trends Across Generations in Canada¹ are based on qualitative surveys of the leading ten percent of agents within four key markets in the Sotheby's International Realty Canada network. It is the first Canadian survey to reveal emerging trends in top-tier real estate preferences and consumer behaviour across three pivotal generations: baby boomers, generation X and generation Y², including nuances in generational preferences, buyer profiles, property characteristics, neighbourhood preferences and other critical homebuying trends.

The report also highlights regional generational insights for Vancouver, Calgary, Toronto and Montreal, and introduces first-of-its kind intelligence to answer the question: what defines a top-tier home and neighbourhood from generation to generation in Canada's largest metropolitan centres?

¹ The information contained in this report references insights gained from in-depth, qualitative research interviews of the leading ten percent of agents within the Sotheby's International Realty Canada network in Vancouver, Calgary, Toronto and Montréal, along with managing brokers and senior executives. Sotheby's International Realty Canada cautions that while qualitative survey feedback can be useful in establishing trends, it is not intended to represent as or replace quantitative data and statistics from official statistical sources. Although high standards have been used in the preparation of the information and analysis presented in this report, the accuracy and completeness of the information is not guaranteed. No Realty Affiliates or research contributors for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. This report is published for general information only and not to be relied upon in any way.

² Demographic and statistical researchers and commentators do not cite universal start and end dates for each generation. The generational parametres used in this report are as follows: baby boomers, born between 1946 and 1965 (ages 50 to 69); generation X, born between 1965 and 1979 (ages 36 to 50); generation Y, born between 1980 and 2000 (ages 15 to 35).



BABY BOOMERS

Luxury Real Estate Traditionalists

According to the most recent Canadian census, 9.6 million people, or close to 30% of Canadians, are baby boomers¹. At the same time, this generation controls the greatest concentration of personal wealth in the country: 80% of high net worth Canadians are over 55 years of age and 58% are retired². As such, the baby boom generation born between 1946 and 1965 wields the most influence on the top-tier real estate market.

According to Sotheby's International Realty Canada's survey results, baby boomers in Canada's top-tier market have a higher expectation of luxury real estate than other generations, as well as greater means to purchase homes that match their needs and criteria. This generation commands homes at higher price points and at the most discerning standards of quality. They can be characterized as "luxury real estate traditionalists" with the strongest affinity towards neighbourhoods and real estate brands with the most traditional markers of prestige and status.



LUXURY REAL ESTATE TRADITIONALISTS



In each of Canada's largest metropolitan centres, baby boomers looking for luxury homes were found to gravitate towards neighbourhoods with longstanding reputations as being the most prestigious within their local markets, more so than subsequent generations. In Toronto for example, Rosedale and Forest Hill are ranked among the most desirable neighborhoods for purchase, while landmark luxury areas such as Shaughnessy and Kerrisdale, Mont Royal and Roxboro, and Westmount and Outremont are among the top neighbourhoods for baby boomers in Vancouver, Calgary and Montréal respectively. In purchasing condominiums, this cohort also shows the strongest affinity for developments associated with traditional, international luxury brands: brand equity is given greater weight by boomers than by generation X or generation Y.

UPSIZERS AND "RIGHTSIZERS"

The trend of baby boomers "downsizing" to smaller homes is one that has been widely documented by housing researchers. In 2013, Canadian Housing Observer found that people aged 55 or older are much more likely than younger individuals to cite the desire for a smaller dwelling as a reason for moving³. Furthermore, those aged 55 to 64 represented approximately 18% of Canadian condominium owners in 2011. For the segment of baby boomers purchasing luxury homes however, upsizing is the most common trend among those who still have children at home, while the trend



¹ Statistics Canada, Generations in Canada, 2011.

² Investors Group, High Net Worth Canadians May Have Cash on Hand, but Some Also Have Mortgages, 2014.

³ CMHC, Canadian Housing Observer, 2013.

of eventually "downsizing" is better characterized as "rightsizing", since the reduction of finished living space is less pronounced than the former term would suggest.

Usually within the younger age range of their generation at 50 to 59 years of age, affluent "upsizers" are typically at a stage within the family lifecycle where there are still dependent children living at home. Some may also have elderly, dependent parents living with them. This group is most likely to purchase larger, detached single-family homes with addresses and luxury curb appeal reflective of their affluent status. Homes are typically fully renovated or custom-designed, and highest-end designer finishings are considered the baseline.

At the stage in which lifestyle simplification becomes a priority, often for empty nesters who are over 60, affluent boomers in Montréal, Toronto, and Vancouver are most likely to rightsize into large, luxury condominiums with prestigious brands and addresses in order to access high-end amenities and elevated levels of service, privacy and security. There is a tendency to purchase homes with only a slightly smaller finished living area than their former dwelling, but with a more practical layout on fewer levels. In spite of a transition into "lock and leave" condominium living, there remains a strong buyer preference for large, open-concept homes with spacious primary rooms, efficient floor plans and capacity to accommodate existing furniture.



In Calgary, this rightsizing trend translates into demand for detached bungalows, townhomes or infills.

PRESTIGIOUS, EXCLUSIVE COMMUNITIES

In addition to neighbourhood prestige, there are several essential factors considered by this demographic when purchasing a luxury residence. In every major urban centre surveyed, walkability to upscale restaurants, coffee shops, grocery stores and other services was emphasized as an important attribute of a desirable area.

The desire for a neighbourhood feel however, extends beyond physical proximity to amenities. Within this demographic and more so than for subsequent generations, a luxury home purchase is also influenced by the express aim to live in the same neighbourhood as socio-demographic peers and in some cases, to remain in familiar neighbourhoods in which they have established themselves. The survey reveals, for example, that for baby boomers moving into luxury downtown condos, particularly in Vancouver, Toronto and Montréal, the sense of community within a building cultivated by personalized service and opportunities to mingle in exclusive and prestigious social spaces such as adjoining hotel restaurants and bars, is as important as luxury finishes and five-star amenities. Value is placed on a building community that cultivates the ability to maintain and build social and business networks.

ASSET RICH HOMEBUYERS

Canadian baby boomers purchasing luxury homes are the most asset-rich of the generations surveyed. In addition to years of wealth culmination, \$1 trillion in estimated inheritance is to be received by baby boomers over the next 20 years, the single



largest intergenerational transfer of wealth in history⁴. The typical member of this generation is expected to individually average \$56,000 in inherited capital⁵.

Survey results indicate that in Vancouver, Calgary, Toronto and Montréal, over 75% of boomers purchasing luxury primary homes also own multiple real estate assets, including recreational vacation properties in local and/or sun destinations. In spite of this wealth, Canadian boomers in all urban centres surveyed often elect to carry a mortgage, citing historically low interest rates as a key factor in this decision. This is consistent with the findings of a 2014 Investors Group survey which reported that a mortgage is used as a deliberate investment strategy for affluent boomers, even as 67% of those who have a mortgage have the cash available to pay for their home in full.



MARKET IMPLICATIONS

In spite of this demographic's considerable influence on the housing market, survey feedback reveals a shortage of luxury properties in preferred neighbourhoods that meet boomers' specific needs and preferences.

For example, while large condominiums are ranked as one of the top housing choices for affluent empty nesters, particularly in Vancouver, Toronto and Montréal, the inventory of luxury condominiums with large enough rooms and the minimum desirable square footage is limited. In markets such as Toronto and Montréal where attached and semi-detached homes are common luxury housing alternatives, there is limited stock of luxury, two-storey options with sufficient square footage. In Calgary the availability of luxury bungalow options is also limited.



Recent studies in Metro Vancouver illustrate parallel challenges in the conventional housing market that are common across Canada's largest cities. The proportion of housing for households led by persons over 65 will increase from about 19% in 2006 to 32% in 2031, approaching 40% by 2041, according to a Metro Vancouver report⁷. The same study cited seniors' preference for apartment and ground-orientated (including townhome) housing units. With its lack of available land to accommodate additional low density housing, Metro Vancouver is just one example of a city facing serious upcoming challenges in housing supply to accommodate aging baby boomers and their housing preferences, across all income levels.

Given the shift in boomers from the family to empty nester/lifestyle simplification stage, the gap between demand and available supply is a market opportunity in the high-end neighbourhoods of Canada's four largest cities in years to come.

⁴ BMO Wealth Institute, Passing it On: What Will Future Inheritances Look Like? 2009.

⁵ BMO Wealth Institute, Passing it On: What Will Future Inheritances Look Like? 2009.

⁷ Metro Vancouver, Regional Growth Strategy Projections, Population, Housing and Employment, 2006-2041, 2011.

GENERATION X

Family-Driven Aspirational Buyers

In a 2014 survey conducted by the BMO Wealth Institute, generation X, like their baby boomer predecessors as well their generation Y successors, cited home ownership as being among one of their top three financial priorities⁸. Born in the approximate years between 1965 and 1979 and now ages 36 to 50, this cohort is also at the prime life stage for marriage, family and home ownership.

Not surprisingly, the needs of growing families and children are the dominant influencers on generation X luxury home purchasers, who are best characterized as "family-driven aspirational buyers".

Sotheby's International Realty Canada survey findings indicate that school selection drives their neighbourhood selection, while aspirations for bespoke finishings are somewhat offset by the need to maximize square footage and lot size. Survey results also show that given high real estate and living costs, plus the fact that this generation is largely self-reliant in their purchase of a home, dual incomes are typically required to purchase the top-tier homes considered most desirable by this generation in Canada's four largest cities.

FAMILY-DRIVEN PRIORITIES

Survey findings for Vancouver, Calgary, Toronto and Montréal reveal that for generation X buyers with children, the most important attribute of a luxury home is its proximity to a desirable private or public school. Prestigious private academies and top-rated public schools act as magnets for affluent families and school consideration drive the luxury home purchase decision for this cohort in every major market.



The need to accommodate growing families also drives the type of home purchased: detached single family homes outrank all other luxury home types purchased by this generation, and the aim of maximizing living space, layout efficiency and yard space define a home purchase. The absolute minimum above grade square footage considered acceptable for a luxury single family home by this generation is 2,500 in Vancouver and Calgary, 2,000 in Toronto and 3,500 in Montréal. While luxury and designer home features are desirable, total square footage and family-focused home layouts such as open concept kitchen/dining/family rooms, nanny suites, entertainment rooms and finished basements take precedence.

ENGAGED AND ACCESSIBLE COMMUNITIES

Unlike baby boomer luxury buyers who gravitate exclusively to well-established and traditional high-end areas, generation X is more likely to purchase luxury homes in more socio-economically heterogeneous neighbourhoods. Survey findings indicate that this is due only in part to the soaring cost of real estate in traditional luxury neighbourhoods. Instead, it is more indicative of the priority that this generation places on community engagement over exclusivity.

As one example, in Vancouver, where the benchmark price of a typical detached single family home is now over \$2.4 million° on the affluent Vancouver Westside, generation

⁸ BMO Wealth Institute, Wealth Generation: The Financial Challenges for Generations X & Y, 2014

⁹ Real Estate Board of Greater Vancouver, February 2015.



X is steering towards luxury homes in traditionally working class areas in Vancouver East, such as the city's South Main district, motivated by its trendy neighbourhood amenities, family-friendly community feel, comparatively accessible high-end home prices and the desire to be surrounded by neighbours of diverse backgrounds.

While generation X luxury homebuyers consider walkability to nearby restaurants, coffee shops, grocery stores, parks, community centres and skating rinks desirable in a top-tier neighbourhood, this is the generation most willing to move away from the city core and drive in order to achieve a home with more space.

ASPIRATIONAL, FINANCIALLY SELF- SUFFICIENT BUYERS

The typical generation X luxury home purchaser is making a move-up purchase into a home that reflects newly achieved levels of professional success and financial standing. In spite of an openness towards a broader variety of neighbourhoods, the typical luxury home purchased by this cohort features home façades, features and appliances that reflect a high level of quality and status.

To purchase a luxury home that meets their needs and requirements, survey findings reveal that a high percentage of generation X purchasers rely on mortgages and dual, above-average incomes. While real estate purchases are treated as an integral part of a broader financial wealth strategy by this cohort, historically low mortgage rates are largely used out of necessity to achieve a desirable home as opposed to as a pure financial strategy as in the case of boomers. The need for a mortgage is also exacerbated by the fact that unlike generation Y, generation X is unlikely to receive family gifts or assistance for their home down payment.

HIGH RELIANCE ON:



MARKET IMPLICATIONS

As the benchmark price of a typical detached single family home in cities such as Vancouver and Toronto continues to rise towards, and in many neighbourhoods, above the \$1 million mark, demand for homes in the \$1 to 2 million range has escalated significantly. Once considered "luxury" and therefore a more limited market segment, \$1 million to \$2 million homes are now sought after by average homebuyers seeking conventional single family homes within city limits.

As cited in Sotheby's International Realty Canada's 2014 Year End Top-Tier Real Estate Report, low inventory and strong demand led to year-over-year sales volume increases of 36% in the Greater Toronto Area (GTA), 23% in Vancouver, 17% in Calgary and 18% in Montréal. Tightening inventory in this single family home price range also led to an increase in the sale of homes in the \$2 million to \$4 million market as buyers leverage historically low interest rates to access desired homes. In 2014, this was particularly evident in the GTA and Montréal, which recorded a 40% and 50% annual increase in sales volume respectively over 2013, while Vancouver saw gains of 21%. 2014 Calgary sales volume was in line with the previous year.

Generation X luxury homebuyers will contribute to the high demand for single family homes in the coming decade, but they will also be the most significantly impacted by escalating prices. As a result, it is expected that this cohort will continue to shift the boundaries of top-tier neighbourhoods, driving new demand for emerging areas.

GENERATION Y

Luxury Real Estate Trailblazers

Born between 1980 and 2000, and currently 15 to 35 years old, generation Y has only recently emerged as a home buying segment in the luxury real estate space, but is clearly destined to be a driving influence on the market in coming years.

As largely first-time homebuyers, this generation is purchasing homes at more than double the price of the average first home purchased in Vancouver, Calgary, Toronto and Montréal with the assistance of baby boomer parents and by relying on historically low mortgage rates.

The survey also indicates that generation Y homebuyers are redefining what it means for homes and neighbourhoods to be considered luxurious. While high-end home quality and design are important to this cohort, their definition of a desirable, top-tier condominium building and neighbourhood is more populist and environmentally conscious than other generations. At this stage, this group also shows little affinity or appreciation for the traditionally prestigious high-end neighbourhoods preferred by baby boomers.

FIRST-TIME LUXURY CONDO BUYERS

In recent years, the Canadian real estate market has seen an influx of generation Y buyers. Almost two-thirds of first-time homebuyers are younger than 35 and almost half are between 25 to 34 years of age according to the Canadian Mortgage and Housing Corporation's 2013 First-Time Homebuyers Survey¹⁰. Meanwhile, according to the BMO 2014 First-Time Home Buyers Report, the average Canadian first-time home buyer spends an average of \$316,100 on a home, with variations from city to city: the average first time buyer purchase price is \$506,500 in Vancouver, \$363,400 in Calgary, \$408,300 in Toronto, and \$237,900 in Montréal¹¹.

Survey results reveal that generation Y buyers of luxury homes, are entering the market at starkly different price points: starting from \$800,000 in Vancouver, Calgary, and Toronto and starting from \$400,000 in Montréal. While these prices are lower than that of the typical luxury home purchased by baby boomers or generation X, and while the total square footage of the property is smaller than for other generations, the entry prices paid are more than double that of average Canadian first-time homebuyers.

	AVERAGE FIRST-TIME HOMEBUYERS ¹⁰	TYPICAL GENERATION Y LUXURY HOMEBUYERS
Vancouver	\$506,500	\$800K-1 MILLION
Calgary	\$363,400	\$800K-1.5 MILLION
Toronto	\$408,300	\$800K-2 MILLION
Montréal	\$237,900	\$400K-1.5 MILLION

¹⁰ Canadian Mortgage & Housing Corporation, 2013 First-Time Homebuyers Survey, 2013.

¹¹ BMO Financial Group, First-Time Home Buvers Report, 2014.

In Vancouver, Calgary and Toronto, the most common property type purchased by generation Y luxury homebuyers are high-end condominiums, particularly in the case of those under the age of 29 who are buying their first homes. The small segment of generation Y buyers who are purchasing homes with family planning or children in mind are purchasing entry-level luxury attached and single family homes. In Calgary, townhomes and infills are the most common luxury home purchased, followed by single family homes.

NEIGHBOURHOODS AS LIVING ROOMS

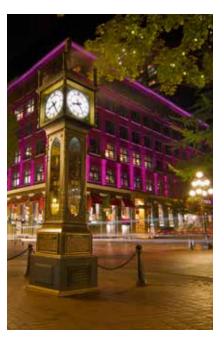
The most important attribute of a luxury home purchased by a generation Y buyer is its location in an urban, trendy neighbourhood that facilitates a social and connected lifestyle. Survey feedback clearly indicates that this cohort treats their immediate neighbourhood as their personal living room: a direct extension of their home and living space, and a direct reflection of their personal identity and values—more so than other generations.

Walkability to restaurants, bars, arts/entertainment venues and coffee shops is a crucial characteristic of a preferred neighbourhood and this cohort is willing to accept a smaller sized home in order to live in a quality home in the "right" area.

#1 CRITFRIA: Location & Neighbourhood

THE NEW TOP-TIER NEIGHBOURHOOD: URBAN, DIVERSE AND ECLECTIC

While there are a few traditional, luxury neighbourhoods in the mix of areas considered toptier by this cohort, generation Y strongly gravitates to emerging, urban neighbourhoods closer to their places of work, that reflect a completely different ethos from previous generations. In every city surveyed, generation Y buyers of high-end homes are actively seeking emerging neighbourhoods that reflect broad socio-economic, ethnic and linguistic diversity. Many of these neighbourhoods are also home to the cities' emerging creative or new business class.



In Montréal for example, generation Y buyers gravitate towards luxury homes in the diverse and eclectic neighbourhoods of Griffintown and Atwater over more traditional neighbourhoods like Outremont, Westmount and Town of Mount Royal, while their peers in Toronto are more likely to buy a luxury home in Davisville or Roncesvalles Village than they are to purchase in Yorkville. Similarly, Vancouver's revitalized entertainment and arts district Gastown and newly developed Olympic Village community rank high among the neighbourhoods preferred by Vancouver's generation Y luxury homebuyer, whereas more established luxury condo markets such as Coal Harbour are less desirable. In Calgary, emerging neighbourhoods include Altadore and Hillhurst where older homes are being replaced by luxury infills.

Survey findings indicate that the escalating cost of real estate in traditional luxury neighbourhoods, coupled with the lack of new condominium product in those areas, is only a nominal influence. Instead, this trend reflects the priority that this generation places on diversity and connected communities over exclusivity.

In addition to this trend for generation Y to reside in emerging urban neighbourhoods, it is also evident that this cohort has a strong desire to work in the same neighbourhoods that they

live in rather than endure long commutes. 12 This continued urbanization and its consequent increased density have been partially responsible for fuelling the condo boom in Toronto as well as other cities, according to a PwC Canada 2015 Emerging Trends in Real Estate Report.

ECO-CONSCIOUS CONSIDERATIONS

According to survey results, generation Y luxury homebuyers in Canada's four largest cities show particularly strong preference for homes and neighbourhoods with bike paths, pedestrian walkways and easy access to public transportation. Instead of negative stigma surrounding proximity or use of public transit, public infrastructure that facilitates a car free and more environmentally sensitive lifestyle is regarded as a significant neighbourhood asset to this cohort.







This mindset is consistent with findings from broader studies on Canadian attitudes and behavioural influences impacting transportation, which shows that those with higher levels of education and younger people ages 18 to 34 are more likely to believe they can personally do something about climate change, with those in this age bracket being most likely to decrease the number of automobiles they own as a result.¹³



INSTANT LUXURY

While this new generation of luxury homebuyers is demonstrating a new set of values in their neighbourhood selection, their expectations for quality and luxury features remain high, even for the majority purchasing their first home. There is a desire and ability to purchase an ideal home right out of the gate, and features deemed essential include modern, high-end fixtures and appliances, hardwood floors, open concept layouts, and interior design reflective of prestige and status.

Survey feedback indicates that generation Y luxury homebuyers are largely purchasing condominiums that are presale, brand new or resale homes that are less than three years old. High-end homebuyers in this generation are also the least likely to purchase a home that requires renovation.

FINANCIALLY ASSISTED

Overwhelmingly and across every major Canadian city surveyed, generation Y luxury buyers are receiving outside help on their down payments. Survey results reveal that the majority receives financial assistance for this initial investment, most commonly from baby boomer parents who cite low interest rates, the appeal of expanding familial real estate investment assets and the simple desire to assist their children as contributing factors to their role in the transaction.



In spite of the preliminary assistance received, over 85% of generation Y luxury homebuyers take out a mortgage and rely on above-average incomes to cover the cost of their homes. At present, historically low mortgage rates assist this cohort in purchasing more desirable homes by reducing the monthly carrying cost.

¹² PWC, Emerging Trends in Real Estate, 2015.

¹³ Transport Canada, Compendium of Canadian Survey Research on Consumer Attitudes and Behavioural Influences Affecting Sustainable Transportation Options, 2009.

MARKET IMPLICATIONS

With generation Y's tendency to flock to urban cores, paired with their preference for more eco-conscious living, an opportunity exists for developers to capitalize on the development of environmentally-friendly buildings in emerging urban centres, or in close proximity to public transit corridors. This generation's diminishing reliance on vehicles and lack of stigma toward using public transit represents shifting attitudes toward not only the location of their desired luxury real estate, but also provides more opportunities for new methods of transportation, such as car co-ops and bike paths, to be integrated into emerging luxury neighbourhoods and developments.

A paradigm shift in attitudes toward the importance of sustainable real estate development is already becoming embedded in municipal policies. For example, the City of Vancouver requires that all new buildings on rezoned land are built to LEED Gold Standards¹⁴. Generation Y, which is largely aware of and influenced by sustainable living, can be expected to be drawn to these new developments that have been built with a high level of environmental consideration.

Generation Y luxury homebuyers will continue to shift the boundaries of luxury real estate neighbourhoods, much like their generation X predecessors, driving new demand for trendy and emerging urban areas. The predominant differentiating factor between these two cohorts, beside their age brackets, is the preference for smaller total square footage in dense urban neighbourhoods for lifestyle-focused generation Y in contrast to maximized square footage for family-focused generation X.

¹⁴ City of Vancouver, Sustainable Zoning, 2014.

INTERNATIONAL GENERATIONAL INFLUENCES

The Vancouver, Toronto and Montréal luxury real estate markets are heavily influenced by purchases made by international buyers. Although there is no comprehensive source of data on the scope of foreign buyers in the Canadian housing market, feedback from Sotheby's International Realty Canada's survey reaffirms that international purchasers are a significant driver in the high-end segment of these cities and also reveals distinct trends in buyer motivation and behaviour across the generations.





In Vancouver, mainland Chinese buyers are the predominant international group influencing the city's real luxury real estate market, a trend largely attributed to Vancouver's location and longstanding ties with the Pacific Rim, as well as its vibrant Chinese-Canadian community. Foreign buyers in Toronto's luxury market are primarily from China, Russia and Eastern Europe, while in Montréal, international buyers are largely from the Middle East, China, and Europe, particularly France.

Across these three markets, single family homes and condominiums are the chief purchases of foreign luxury homebuyers.

In Calgary, inter-country migration from other Canadian cities has bolstered the city's high-end real estate market, as have buyers from Houston, Dallas and San Antonio.

PRIMARILY SECURITY DRIVEN

Regardless of country of origin and regardless of the destination for the luxury real estate purchase, there are clear generational trends in buyer motivation. Survey findings clearly indicate that the primary motivation for a luxury home purchase by a foreign baby boomer or generation X buyer is financial security. Canadian real estate is regarded as a safe and secure asset by international purchasers, particularly in comparison to real estate and financial assets in regions such as China, Russia, the Middle East and Europe, where economic, political and personal security can be unsteady.

Relative to other international real estate markets such as Los Angeles, New York, London or Shanghai, Canadian real estate and land value is also considered an affordable investment. As a result Vancouver, Toronto and Montréal luxury single family homes and condominiums are in high demand.

FAMILY FOCUSED

For baby boomers and generation X luxury homebuyers with international ties, improving family lifestyle is another key reason for purchasing a home in Canada, indicating that many buyers who may be perceived as foreign investors may actually reside or have plans to reside in the property purchased.

Survey findings reveal that luxury homebuyers with foreign ties are motivated to purchase within neighbourhoods that are viewed as safer, healthier, and oftentimes greener than

#1 CRITERIA:



Canadian Real Estate as Financial Security

those in their countries of origin. Many have the express intent of purchasing a home to provide a chance for their family to thrive in more desirable city conditions.

For buyers with school-aged children, the most important attribute of a luxury home purchase is its proximity to a top-tier private or public school. This is consistent with the primary consideration of family-stage luxury homebuyers without international ties.

INTERNATIONAL STUDENTS

More than 200,000 top international students and researchers choose to study in Canada each year¹⁵ and top high schools and universities across Canada are attracting generation Y international students from around the world. This is most apparent in Toronto, Vancouver and Montréal, where the University of Toronto, University of British Columbia and McGill University were ranked #20, #32 and #39 on the prestigious Times Higher Education World University Rankings for the best global universities in 2014-2015, and where diverse and cosmopolitan populations are attractive environments for international students¹⁶.



INTERNATIONAL STUDENTS & RESEARCHERS STUDY IN CANADA EACH YEAR

In these three cities, survey results reveal a trend of affluent parents of generation Y international students, particularly those from mainland China, the Middle East and Europe, purchasing luxury condominiums as residences for students within close proximity to their educational facility. These real estate purchases are treated as an investment not only in the safety and best interests of their child, but in the financial security of the family as a whole.

¹⁵ Government of Canada, Canada's International Gateway, 2014.

¹⁶ Times Higher Education, World University Rankings, 2014.



Top-Tier Generational Trends VANCOUVER



BABY BOOMERS

In recent years, Vancouver's average and MLS® Home Price Index composite benchmark price for residential properties has consistently exceeded that of Canada's four largest metropolitan centres¹.

Baby boomers who are purchasing luxury homes in the city are paying some of the highest prices amongst peers in other cities to access luxury homes in top-tier neighbourhoods.

As luxury real estate traditionalists, the tastes and preferences of this generation contrast sharply with those of Vancouver's affluent generation X and Y, whose homebuying preferences have evolved with changing values and steeply rising real estate costs.

LUXURY HOME PROFILE

According to survey findings, the most common price range for a luxury home purchased by a baby boomer in Vancouver ranges from \$2 million to \$5 million.

Luxury home upsizers, likely to be under the age of 60 with dependent children living at home, typically purchase detached single family homes with a minimum of 3,000 square feet² and 4 bedrooms. The main priority for this group is to maximize space and to ensure that the size, design and layout of primary and secondary rooms are efficient and large enough to accommodate their families, furniture, heirlooms and lifestyles. This cohort has the most sophisticated expectations for the design and quality of their home. Status-oriented curb appeal, ample and nicely landscaped outdoor space, bespoke designer features and highest end appliances such as Sub-Zero products are considered baseline home attributes.

For Vancouver baby boomers who are over age 60 and without dependent children, high-end condominiums that offer ease of maintenance and high levels of service and security are the top luxury real estate choice. While survey feedback suggest that this cohort would prefer to "rightsize" into condos with large rooms and open, efficient floor plans, the high cost of the city's real estate means that luxury home purchasers of this generation are more willing to trade off square footage in order to live in a quality property in a prestigious neighbourhood. Survey insights reveal that the minimum acceptable square footage for a luxury condominium purchased by this generation in Vancouver is 1,700 square feet. This is significantly smaller than the minimum 2,200 and 2,500 square foot luxury condominiums purchased by affluent rightsizers in Toronto and Montreal respectively, or the minimum 2,500 square feet bungalows, townhomes or infills purchased by the same cohort in Calgary.





UPSIZERS Single Family Homes

> MIN. 3,000 SQ.FT.2 4 BEDROOMS



RIGHTSIZERS

Condominiums

MIN. 1,700 SQ.FT. 2-3 BEDROOMS 2 PARKING SPACES

¹ Canadian Real Estate Association. February 2015. National Statistics.

^{2 3,000} sq. ft. above grade.

TOP-TIER GENERATIONAL TRENDS. VANCOUVER

A high caliber building with a sterling reputation, unobstructed and protected (often waterfront) views from the unit, private outdoor space, white-glove concierge and door service and privacy, rank among the top attributes of a desirable home. While an international luxury brand is not considered essential, high value is placed on the prestige of specific luxury developments, architects and neighbourhoods.



Prime Neighbourhoods

COAL HARBOUR (CONDOS) **DUNBAR**

> **FALSE CREEK NORTH** (CONDOS)

> > KERRISDALE

MACKENZIE HEIGHTS

OLYMPIC VILLAGE (WATERFRONT CONDOS)

POINT GREY

SHAUGHNESSY

SOUTH WEST MARINE DRIVE YALETOWN (CONDOS)



TOP-TIER NEIGHBOURHOOD PROFILE

According to survey insights, this segment of luxury homebuyer tends to be traditional in their real estate tastes, favouring established, exclusive and high-status neighbourhoods where they are surrounded by peers of a similar background. Neighbourhoods such as Dunbar, Kerrisdale, Mackenzie Heights, Point Grey, Shaughnessy and South West Marine Drive are among the most popular enclaves favoured by affluent upsizers seeking single family homes, while waterfront properties in Coal Harbour, False Creek North and Olympic Village are the favoured areas for condominium purchasers.

In spite of this segment's traditional inclinations, survey findings reveal a number of new and emerging trends. To begin, over 85% of luxury homebuyers in the baby boomer generation in Vancouver purchase their primary residences within 5 kilometres of downtown, demonstrating a strong skew towards urban, city-centric living. At the same time, a neighbourhood's walkability to markets, high-end restaurants, cafes, as well as to local parks and the 22 kilometre Vancouver Seawall, ranks very high in priority for this cohort, while proximity to public transit and particularly SkyTrain is regarded as a relevant and important attribute of a desirable high-end neighbourhood. Insights from the survey suggest that environmental and health consciousness among Vancouver's affluent baby boomers drives their preference for neighbourhoods that facilitate an active, one-car or car-free lifestyle.

Survey feedback also reveals that friendships, social connection and a sense of community are all important factors for choosing a high-end neighbourhood. This cohort is likely to move into a neighbourhood or condo building in order to be closer to friends, and is gravitating towards newer areas such as Olympic Village and False Creek North specifically because of their strong community plans.

LUXURY HOMEBUYER PROFILE

With prices for Vancouver's luxury homes consistently exceeding that of other Canadian metropolitan centres, baby boomers who are purchasing luxury homes in the city are among the most asset rich of the generations and cities surveyed. Survey feedback suggests that the majority earn a combined household income of \$300,000 to \$500,000, with household incomes in excess of \$500,000 common. As a result, this cohort is unlikely to rely on outside sources for their initial downpayment and are more likely to use mortgages as a financial strategy as opposed to financial necessity. Senior executives of major corporations, large business owners



TOP-TIER GENERATIONAL TRENDS, VANCOUVER

and entrepreneurs, oil/gas resource executives from western Canadian provinces, as well as senior professionals in law, medicine and accounting, are among the most common professions represented. Over 80% of those who purchase luxury primary homes within this generation also own a vacation or investment property, most often in a sun destination such as California or Arizona, or in Whistler or on Vancouver Island.

Within this generation, the family profile of luxury homebuyers varies according to whether they are upsizers or rightsizers. While upsizers are most likely to be traditional families with one to two older children or blended families with three to four older children, rightsizers are most likely to be empytnester couples seeking lifestyle simplification following retirement. Escalating housing costs mean that dual incomes are frequently required to access the high-end home market, therefore, single luxury homebuyers comprise only a small percentage of this cohort. For this generation, a luxury home purchase is most likely to be triggered following retirement, remarriage, divorce or following inheritance.



Traditional Families 1-2 OLDER CHILDREN

Blended Families 3-4 OLDER CHILDREN

Emptynester Couples

GENERATION X

The luxury home buying habits of Vancouver's generation X has evolved significantly in recent years, keeping pace with this cohort's changing social values, as well as practical realities dictated by the city's sharply increasing single family home prices. Since this generation is in the prime years for starting and raising families, the primary objective of luxury homebuyers is to purchase a home in close proximity to a premier school, while maximizing home and lot size to accommodate growing children.

To achieve a top-tier lifestyle in Vancouver's pricey housing market, generation X is rapidly migrating away from the city's traditional luxury enclaves into emerging high-end neighbourhoods within the city.

LUXURY HOME PROFILE

Survey findings reveal that Vancouver's generation X luxury homebuyers typically spend \$2 million to \$4 million on their primary residence, with a minimum \$3.5 million budget required to purchase a luxury single family home in most areas of the Vancouver Westside. Detached single family homes with a minimum 2,500 to 3,000 sq. ft.3 are the most common home purchase. While many buyers of this generation are eager to purchase a home with land, townhomes with a minimum of 2,000 sq.ft. are another common option, particularly for those willing to trade square footage and yard space in order to live in more traditionally prestigious neighbourhoods.

According to survey insights, an efficient, open layout is the most soughtafter home attribute for Vancouver's generation X luxury homebuyers, often because space has been traded off in order to purchase a home within city limits. High-end designer finishes and appliances are also desirable features, along with family focused amenities such as nanny suites and playrooms.

A smaller percentage of this generation purchase luxury condominiums. While many are singles or couples without children, survey insights reveal that a growing number of generation X luxury homebuyers with young families are choosing to live in high-end condos that are a minimum 1,000 but more often, 1,500 to 1,700 square feet in downtown neighbourhoods such as Yaletown and False Creek North, where there are community centres, parks and groceries. Survey feedback reveal that demand for downtown condominium living by affluent young families is limited by the lack of schools, in spite of the growing popularity of this lifestyle.





Single Family Homes

MIN. 2,500-3,000 SQ.FT.3 4 BEDROOMS



Townhome

MIN. 2,000 SQ.FT. 3 BEDROOMS

TOP-TIER NEIGHBOURHOOD PROFILE

According to survey results, Vancouver's affluent generation X luxury real estate buyers are clearly redefining the boundaries of luxury neighbourhoods. While several of Vancouver's traditional luxury neighbourhoods on the Vancouver Westside, including Dunbar, Kerrisdale, and MacKenzie Heights remain popular with a certain segment of affluent

^{3 2,500-3,000} sq. ft. above grade

TOP-TIER GENERATIONAL TRENDS, VANCOUVER

generation X homebuyers, this cohort is migrating into increasingly affluent neighbourhoods in East Vancouver in growing numbers.

One of the key contributing factors to this migration east is the high cost of detached single family homes on the Vancouver Westside, where the estimated sale price of a benchmark detached single family home exceeds \$2.4 million at the time of publication⁴, and where the price of larger and more luxurious homes far surpass this benchmark. As a result, generation X buyers are willing to move into new neighbourhoods in order to achieve larger, better quality homes to accommodate growing families.

Cost of housing, however, is only one contributing factor to this trend. Survey results clearly show that generation X buyers who are able to purchase a home in established high-end neighbourhoods are actively seeking areas that are socio-economically diverse and even more importantly, have an engaged, family-friendly and neighbourly feel.

> Communities such as Cambie Village/Douglas Park, Grandview, Mount Pleasant, South Main and Trout Lake, with their villagelike shopping districts, farmers' markets, engaged neighbourhoods and local festivals, have transformed into top-tier destination neighbourhoods for affluent families. In fact, survey feedback indicates that for many generation X top-tier homebuyers in Vancouver, a genuine neighbourhood feel is more important than its prestige.

While proximity to a desirable public or private school is another major consideration, Vancouver's generation X is also likely to consider a neighbourhood's walkability to shopping, restaurants, grocery stores, markets, community centres, and public transit as

top priorities. Survey insights also indicate that while over 75% of generation X top-tier homebuyers are purchasing homes within 5 kilometres of downtown Vancouver, this cohort shows the most willingness to move away from the downtown core in order to obtain larger properties, mirroring the purchase trends of generation X in other other cities surveyed.

LUXURY HOMEBUYER PROFILE

Survey insights suggest that the typical luxury homebuyer in this generation has a combined household income of \$250,000 to \$500,000, and often above. Due to the high cost of both conventional and luxury homes in Vancouver, dual incomes are commonly required to enter the high-end market. While successful midcareer professionals in more traditional fields such as law, medicine,



Prime Neighbourhoods

CAMBIE VILLAGE/ **DOUGLAS PARK**

DUNBAR

GRANDVIEW

KERRISDALE

KITSILANO

MACKENZIE HEIGHTS

MOUNT PLEASANT

POINT GREY

SOUTH MAIN

TROUT LAKE

YALETOWN (CONDOS)





⁴ Real Estate Board of Greater Vancouver, February 2015.

TOP-TIER GENERATIONAL TRENDS, VANCOUVER

finance and accounting comprise a significant segment of buyers, generation X luxury homebuyers are just as frequently from less traditional fields and include successful entrepreneurs and professionals in Vancouver's rapidly growing high tech sector.



Traditional Families (#1) Blended Families

rhhi

2+ OLDER CHILDREN

Married Couples

NO CHILDREN

1-2 YOUNGER CHILDREN

Since this cohort is within the prime years for having children, families with one to two younger children and blended families with two or more older children comprise the bulk of luxury homebuyers. Married couples without children make up a tertiary segment. The arrival of a new child is the most common trigger for a luxury home purchase at this life stage, along with marriage or a career promotion or salary increase that allows for a trade-up.







Similar to generational peers in other major Canadian cities, generation X luxury homebuyers are largely financially self-driven. According to survey findings, less than 35% receive outside assistance from family or via inheritance for their downpayment, while over 50% use mortgages either as a financial strategy due to low lending rates, or out of necessity to purchase a larger home. Approximately 50% also own an additional vacation or investment property.

GENERATION Y

While Vancouver's generation Y luxury homebuyers have benefitted from historically low mortgage rates in recent years, this city's emerging real estate consumers also face some of the highest housing costs in the country. In spite of these barriers to entering the market, the preferences of this influential demographic hint at future trends in high end real estate. While this cohort maintains high standards and expectations for even their first homes, they are also clearly luxury real estate trailblazers, redefining the boundaries as well as the attributes that make a desirable neighbourhood.

LUXURY HOME PROFILE

According to the BMO 2014 First-Time Home Buyers Report, the average first-time buyer purchases a home for \$506,600 in Vancouver⁵. According to survey insights, however, generation Y luxury homebuyers typically enter the market with a home purchase that ranges from \$800,000 to \$1 million, or twice as much as the average buyer.





Survey findings also reveal that affluent generation Y buyers are likely to purchase condominiums with a minimum of 800 square feet, with a range of 800 to 1,000 square feet being the most common. This is the smallest acceptable home size for this generation across Canada's largest cities. Families with children comprise only a small minority of buyers in this generation, and this segment is most likely to purchase attached homes of approximately 1,200 square feet or single family homes with a minimum of 2,500 square feet above grade.

While generation Y luxury real estate buyers are willing to accept smaller square footages in order to live in their target Vancouver neighbourhoods, survey insights indicate that they are knowledgeable, empowered with information on the real estate market and have both sophisticated tastes and extremely high standards for the overall quality of their first home. Ontrend interior design and open concept layouts are considered basic fundamentals, and high-end finishes, flooring, appliances as well as technology and media integration are sought after home attributes. Survey findings reveal that due to these expectations, a majority of homebuyers in this cohort lean towards purchasing condos that are brand new or built within the last three years.

TOP-TIER NEIGHBOURHOOD PROFILE

Survey results indicate that for Vancouver's generation Y luxury homebuyers, living in the right neighbourhood takes priority over any other consideration. Similar to generational peers in other major Canadian cities, this group buys in urban and trendy neighbourhoods that are easily accessible to downtown. In fact, survey insights show that over 90% of luxury homebuyers in this generation purchase within 5 kilometres of the downtown core.

Walkability is a major priority for this cohort, as neighbourhood amenities such as stylish restaurants, bars, cafes, nightlife, shopping and gyms are treated as extensions of their personal living spaces.



⁵ BMO Financial Group, First-Time Home Buyers Report, 2014

In Vancouver, this segment of luxury homebuyers places a high priority on living close to public transit. Even within this affluent demographic, car ownership is not a given and use of transportation alternatives such as car sharing networks is common.

> At the same time, this influential generation is redefining the boundaries of Vancouver's luxury neighbourhoods. Areas with more cultural and socio-economic diversity, such as Mount Pleasant, Main Street and Gastown, as well as newer, planned communities such as Olympic Village, are actively sought after and outrank heritage luxury neighbourhoods in popularity. This shift reflects similar trends among affluent millenials in Montreal and Toronto.



Survey findings indicate that Vancouver's generation Y luxury homebuyers are highly reliant on the support of family in their purchase of real estate, with over 70% receiving some form of financial gifting or inheritance towards their initial downpayment. As in other major metropolitan markets, over 90% of this cohort also carry mortgages on their homes.

A broad spectrum of professional backgrounds are represented among high-end homebuyers of this generation. While successful early-career professionals in traditional fields such as law and medicine comprise a percentage of these buyers, entrepreneurs and business owners in the city's growing technology field are also a significant group. Based on survey insights, the approximate combined household income of those purchasing a luxury home is \$100,000 to \$200,000. Less than 10% own a secondary or vacation property as they are focused on the purchase of a primary residence.



Married/Common Law

Singles

The key triggers for a luxury home purchase by generation Y buyers in Vancouver are the desire and financial ability to live independently, or career advancement and income growth. Singles and couples with no children are the most common homebuyer profiles. Survey feedback indicates that marriage is not a common trigger for a home purchase within this cohort.



Prime Neighbourhoods

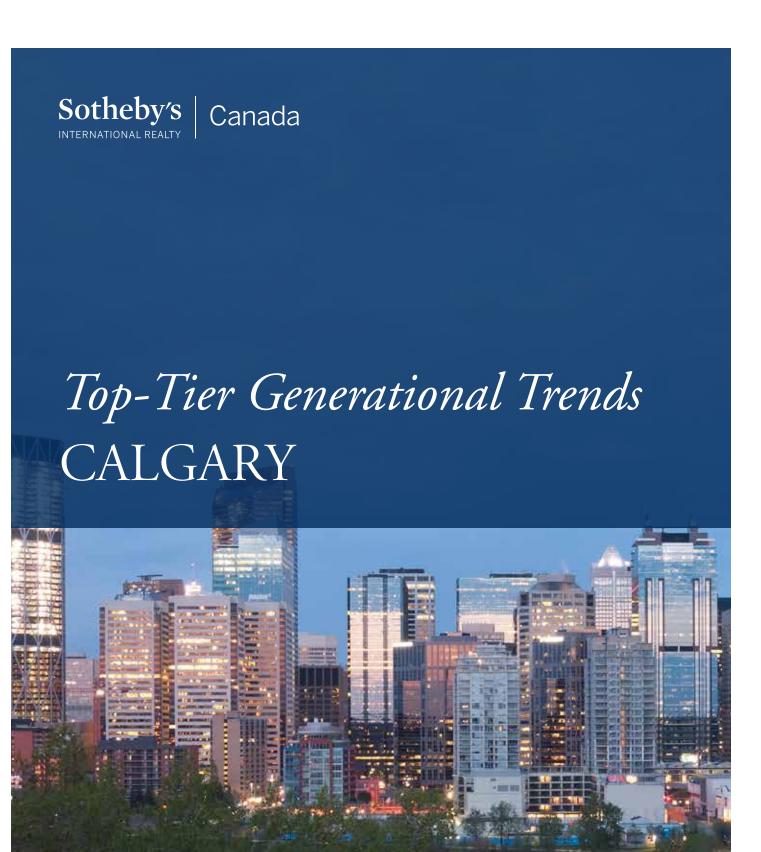
GASTOWN KITSILANO MOUNT PLEASANT **SOUTH MAIN OLYMPIC VILLAGE YALETOWN**











BABY BOOMERS

Calgary's top-tier real estate market is largely driven by detached single family home sales. In 2014 for example, 704 detached single family homes sold over \$1 million compared to 104 attached home and 28 condominimum sales over the same price point¹. The prevalence of this housing type is largely due to the city's location on the expansive Canadian prairie, which has encouraged the growth of detached single family home communities with less pressing need for the development of higher-density housing options.

The detached single family home housing stock and lifestyle has clearly shaped the real estate preferences of baby boomers purchasing luxury homes in Calgary. As luxury real estate traditionalists, they gravitate to this home type more than generational peers in other major Canadian cities.

LUXURY HOME PROFILE

According to survey insights, the typical price range for a luxury home purchased in Calgary by a baby boomer is between \$2 million and \$4 million with a minimum 3,000 square feet² and four bedrooms for upsizers and a minimum 2,500 square feet³ and three bedrooms for rightsizers.

For those who are upsizing, luxury detached single family homes are by far the most common property type purchased, followed by bare land detached home condominiums which involves the purchase of land and a single family home on it, within a condominium-style community where owners may decide to maintain shared areas collectively. Survey results show that this cohort places a high priority on purchasing large homes with façades and landscaping that reflect status and prestige. Within the Calgary market, expansive well-situated lots and gated estates that offer privacy are particularly important luxury home attributes for this cohort. Finishes and appliances of the highest designer quality and other universal luxury home standards are considered baseline essentials, as they are for their peers in other major Canadian cities.

At a time when lifestyle simplification becomes a priority, typically for boomers over 60, survey results signal that Calgary's affluent baby boomers are most likely to rightsize into bungalows, townhomes or infills with the aim of living on fewer floors or a single floor while maintaining sufficient living space. As a result, this group is likely to purchase a home with a similar or only slightly reduced above grade square footage, while home layouts with large rooms and open floor



^{2 3,000} sq.ft. above grade



UPSIZERS



Single Family Homes Detached Home Condos

> MIN. 3,000 SQ.FT.² 4 BEDROOMS 3 BATHROOMS

> > RIGHTSI7FRS



Bungalows



Townhomes/Infills

MIN. 2,500 SQ.FT.3 3 BEDROOMS 3 BATHROOMS

^{3 2,500} sq.ft. above grade

TOP-TIER GENERATIONAL TRENDS, CALGARY

plans are in high demand. In contrast to Vancouver, Toronto and Montreal, the inventory of luxury, apartment-style condominiums is still very limited in Calgary, restricting rightsizing options. Several noteworthy high-end pre-sale condo projects came to market in 2014, including The Concord. This injection of luxury supply anticipates growing demand for home options that support a more turn-key lifestyle given demographic changes.



Neighbourhoods

ASPEN

BEL AIRE

BRIAR HILL

BRITANNIA

EAU CLAIRE

ELBOW PARK

MOUNT ROYAL

RIDEAU PARK

ROXBORO

SPRINGBANK HILL

TOP-TIER NEIGHBOURHOOD PROFILE

While this survey focused on homebuyer behaviour within city limits, it is notable that Calgary's luxury real estate market has traditionally been divided into two concentric areas. The central zone is focused on the inner city close to the downtown core and its metropolitan lifestyle. Within this area, Bel Aire, Briar Hill, Britannia, Eau Claire, Elbow Park, Mount Royal, Rideau Park and Roxboro are some of the top neighbourhoods favoured by baby boomer luxury homebuyers. The second area is more surburban with homes characterized by large estates, mountain views and a more peaceful, natural environment. Aspen and Springbank Hill are neighbourhoods highlighted as being particularly sought out by this cohort within this zone for their prestigious, large gated estates, proximity to the downtown core by way of a 25 minute drive, and high concentration of acclaimed private schools.

Regardless of geographical location, survey results show that baby boomer luxury homebuyers in Calgary share similar preferences to their peers in other major Canadian cities, steering towards the city's most exclusive enclaves with neighbours of a similar socio-demographic peer group. For those with school-aged children, proximity to leading public and private schools is the top consideration for a luxury home purchase. Other critical characteristics of top-tier neighbourhoods include their walkability to restaurants, coffee shops, shopping and gyms, as well as proximity to personal friends and family.

LUXURY HOMEBUYER PROFILE

The survey reveals that Calgary luxury homebuyers of the baby boom generation can be segmented into two groups based on family and life stage. Those who are upsizing into larger single family homes are typically within the younger age bracket of the baby boomer cohort with dependent children still living at home. This group shares similar family profiles and motivations as generation X luxury homebuyers: they are mainly traditional or blended families with older children and their home purchase is likely motivated by family growth, remarriage and the coming together of two families. Those who are rightsizing into slightly smaller homes on fewer levels are most likely to be emptynester couples who are ready



Traditional Families Blended Families

1-2 OLDER CHILDREN



3-4 OLDER CHILDREN



RIGHTSI7FRS

Single Parents

2-4 OLDER CHILDREN



RIGHTSIZERS

Emptynester

Couples

TOP-TIER GENERATIONAL TRENDS, CALGARY

for lifestyle simplification following, or in anticipation of, retirement. Divorce is also a purchase trigger for luxury home rightsizers, prompting the purchase of smaller homes by affluent singles or common-law couples that have come together subsequent to divorce.

In addition to family changes, survey insights indicate that significant financial changes such as the cash-in of stocks or the sale of a company are among the most common triggers for a luxury home purchase by a baby boomer in Calgary.

A majority of luxury homebuyers of this generation have acquired their wealth as senior executives, large business owners or leading geologists, engineers and other professionals within the city's oil and gas industry. This reflects Calgary's position as the country's "energy capital" with head offices of every major oil and gas company and trade association in the country, as well as the fact that the city boasts Canada's highest small business population per capita⁴.

With well-established financial and asset portfolios, Calgary's baby boomer luxury homebuyers are the most financially established of the three generations studied. Survey results indicate that the typical high-end homebuyer of this cohort has a combined household income of over \$500,000. The survey also reveals that almost all put down a complete downpayment without external financial assistance on their primary residence, while approximately 50% use a mortgage to purchase their primary residence, largely as a deliberate financial strategy given historically low lending rates. Furthermore, over 85% also own a secondary vacation or investment property, often ski or vacation homes in nearby Banff, Canmore, British Columbia's Okanagan or Kootenay Rockies region, or a home in a U.S. sun destination such as Arizona or California.





⁴ Calgary Economic Development, Energy Companies in Calgary, 2015.

GENERATION X

Luxury real estate purchases by generation X in Calgary are driven by the same priorities as their peers in major cities across the country: the needs of growing families.

As family-driven, aspirational buyers, this group focuses on maximizing square footage and lot size and moving into neighbourhoods with top private and public schools, while purchasing homes of a level of luxury reflective of their financial status.

LUXURY HOME PROFILE

According to survey findings, the typical price for a luxury primary residence purchased by generation X in Calgary ranges from \$1 million to \$2 million, with detached single family homes being the most common property purchased. The minimum above grade square footage for a luxury home purchased is 2,500 square feet⁵, and those within this generation strive to maximize house and yard space to accommodate growing families. The attributes considered most important for a high-end home by generation X in Calgary are consistent with the expectations of the same group in other major Canadian cities. These include high-end fixtures and finishings, top-of-the line kitchens and appliances and high-end technology such as state-of-the art security, entertainment and sound systems.

Unique to the Calgary market however, is the fact that compared to real estate markets such as Montréal and Toronto, the city has an abundance of recently built or brand new luxury detached single family home options, in addition to its supply of older luxury homes and estates. Due to the supply of new home options in neighbourhoods favoured by generation X, this demographic shows a stronger skew towards buying homes that are move-in ready compared to the same group in other major Canadian cities. Within the Calgary market, there is also a greater ability to purchase homes on larger properties that enhance privacy, as compared to other major Canadian cities. Based on survey insights, this is a home feature and lifestyle preference that is given more weight by Calgary's generation X than peers in other cities.

Due to family stage and the current lack of high-end condo inventory in Calgary, only a small percentage of generation X luxury homebuyers purchase condominiums. Those that do are likely to purchase units with a minimum of 1,500 square feet within newer condo developments within the city's inner city.

TOP-TIER NEIGHBOURHOOD PROFILE

Survey findings reveal that for this cohort, a neighbourhood's reputation for being family oriented is as important as its high-end prestige, and





Single Family Homes

MIN. 2.500 SO.FT.5 4 BFDROOMS 3 BATHROOMS



Prime Neighbourhoods

ALTADORE ASPEN

DOWNTOWN CALGARY

ELBOW PARK

HILLHURST

KNOB HILL

MOUNT ROYAL

ROXBORO

SOUTH CALGARY

SPRINGBANK HILL

^{5 2.500} sq.ft, above grade

TOP-TIER GENERATIONAL TRENDS, CALGARY



having an excellent private or public school within the area is the top consideration when purchasing a luxury home. Affluent enclaves such as Aspen, which boast some of Calgary's most prestigious private schools, are magnets for the most elite homebuyers within this cohort. While the survey findings reveal that walkability to local restaurants, cafes, bars, shopping, parks, and recreation centres is a desirable top-tier neighbourhood characteristic, feedback also indicated that Calgary's generation X is the most willing to drive. Walkability is desirable but not essential. Generation X luxury homebuyers in Calgary also cited proximity to friends and family as a more important consideration in a home purchase.

Affluent generation X Calgarians are as likely to move beyond the city's inner city as they are to steer towards the city's downtown epicentre. According to survey insights, approximately 50% of luxury homebuyers in Calgary are estimated to purchase less than 5 kilometres of downtown, the lowest percentage for this generation of luxury real estate consumers out of Canada's four largest cities.

LUXURY HOMEBUYER PROFILE

The importance of the oil and gas sector in Calgary's high-end housing market is reflected in survey results that showed that executives, engineers, geologists and mid-career professionals such as lawyers directly employed within the industry are the primary purchasers of luxury homes within generation X. Entrepreneurs and small business owners comprise another segment of luxury homebuyers within this cohort, as do traditional professionals outside of the sector, such as doctors and accountants.

Dual incomes are typically required to purchase real estate that is considered top-tier by this generation in all of Canada's major cities and Calgary is no exception. Survey insights for Calgary however, reflect the broadest range of common combined household incomes amongst luxury home purchasers, spanning \$100,000 to \$500,000.

The key drivers for a luxury home purchase however, are not directly related to professional advancement. While job promotions and income increases are among the triggers for a home purchase or upgrade, survey insights revealed that the main impetus is the growth of a family and the fact that the arrival of a first or second child demands more space. This is followed by marriage and corresponding plans for children. As a result, families with one to two younger children and blended families with two to four older children, as well as married, dual-income couples without children comprise the majority of luxury homebuyers.







TOP-TIER GENERATIONAL TRENDS, CALGARY

The fact that decisions to purchase or upgrade a home are often driven by mid to long term family considerations for this cohort is notable in light of a local real estate market, that at the time of this report's release, is marked with uncertainty due to falling oil prices.

For generation X luxury homebuyers, practical family circumstances coupled with low interest rates may motivate the need to upgrade or purchase a home regardless of market circumstances, and may be a stabilizing influence in a changing market.



Traditional Families

1-2 YOUNGER CHILDREN



Blended Families
2-4 OLDER CHILDREN



GENERATION Y

In recent years, Calgary's strong economy, low unemployment rate and historically low mortgage rates have helped pave the way for affluent generation Y buyers to enter the luxury real estate market.

This cohort is gradually redefining high-end housing preferences with sensibilities that are more urban and neighbourhood-lifestyle driven than the city's previous generations, while diverging from generation Y luxury homebuyers in Vancouver, Toronto and Montréal in terms of housing preferences.

LUXURY HOME PROFILE

Survey findings reveal that generation Y luxury homebuyers in Calgary typically enter the market with a home that starts from \$800,000 and ranges up to \$1.5 million. This entry price point is significantly higher than the \$363,4006 paid by the average first-time homebuyer in the city.

While this price range is roughly on par with the typical price paid for a luxury home by generation Y in other major Canadian cities, the home type and square footage that can be attained in Calgary for this price is significantly different.

The survey notes that the most common luxury homes purchased by this cohort in Calgary are townhomes and duplexes with a minimum 2,000 square feet above grade. Infill homes and smaller detached single family homes are also popular choices for this generation, while condos, which dominate generation Y luxury home purchases in Vancouver, Toronto and Montréal, comprise only a small percentage of sales in Calgary's top-tier market. When they are purchased by this generation, they are usually at least 1,000 square feet. (In contrast, generation Y luxury homebuyers in Toronto usually pay \$800,000 to \$2 million if they are just entering the market, and condominiums are by far the most common purchase, with 900 square feet being the minimum size.)

Like generation Y luxury real estate consumers in other major Canadian cities however, survey insights show that Calgary buyers share extremely high standards for their first home. Contemporary homes with modern, quality finishes and flooring, top-of-line appliances and open layouts are considered standard for this cohort, with priority placed on state-of-art kitchens and having sufficient space to entertain.





Townhomes/Infills

MIN. 2,000 SQ.FT. 4 BEDROOMS 3 BATHROOMS



Single Family Homes

MIN. 2,400 SQ.FT. 4 BEDROOMS 3 BATHROOMS

⁶ BMO Financial Group, First-Time Home Buyers Report, 2014.

TOP-TIER NEIGHBOURHOOD PROFILE

Calgary's generation Y luxury homebuyers are more urban than their baby boomer and generation X predecessors, gravitating towards homes that are close to, though not necessarily right within, the city's downtown core.

Survey insights reveal that over 70% of those purchasing luxury homes do so within 5 kilometres of downtown, citing short commutes to work as a priority.

In a city renowned for its car culture and auto-mobility, it is also notable that generation Y luxury homebuyers, like their peers in other major Canadian cities, consider walkability to restaurants, bars, cafes and shops as being essential to a neighbourhood they would deem toptier. While the importance placed on access to car-free transportation alternatives is less pronounced than amongst affluent generation Y buyers in Vancouver and Toronto, survey results also indicate that proximity to CTrain is considered a valuable neighbourhood attribute for this group.

Calgary's survey findings also reinforce national themes that a neighbourhood's trendiness is essential to luxury home purchasers in this generation and that this cohort is redefining the boundaries of the city's toptier neighbourhoods include emerging areas such as Altadore and Hillhurst, where older homes are gradually being replaced by high-end infills.

LUXURY HOMEBUYER PROFILE

Calgary's oil and gas industry and its burgeoning small business culture has helped to shape the profile of high-end homebuyers within the generation Y demographic. Survey insights show that young oil and gas professionals are the predominant group of millennial luxury homebuyers in the city, followed by entrepreneurs and small business owners as well as professionals in more traditional fields such as lawyers, doctors and accountants. Findings also reveal that single males and young couples are the most likely to be purchasing high-end homes at this life stage. The gender skew amongst single luxury homebuyers reflects the fact that Calgary has the lowest percentage of females in the population, a crossgenerational demographic slant that Statistics Canada has attributed as likely being reflective of Alberta's younger age structure and the in-migration of young adult men for employment opportunities⁷.









Prime Neighbourhoods

ALTADORE/GARRISON WOODS

ASPEN

BRIDGELAND

DOWNTOWN

HILLHURST

KILLARNEY

LOWER MOUNT ROYAL

PARK HILL

RICHMOND PARK/KNOB HILL

SOUTH CALGARY

SUNNY SIDE

⁷ Statistics Canada, Percentage of Females in the Population, by Census Metropolitan Area, Canada, 2013.

TOP-TIER GENERATIONAL TRENDS, CALGARY

In Calgary, the most likely trigger prompting a luxury home purchase is marriage according to survey insights. The arrival of a first child, the need for a home following relocation to Calgary for work or the receipt of a disbursement from a family estate are also likely factors.

Financial assistance from family facilitates the entry of this generation into the luxury home market in Calgary, with over 80% receiving help on their initial downpayment, according to survey insights.

The typical household income for a top-tier homebuyer is \$50,000 to \$100,000 and over 85% carry a mortgage, benefitting from current low rates to assist with carrying costs. The survey also indicates that less than 10% of this cohort own a secondary or vacation property at this life stage, focusing instead on the purchase of their primary residence.







Calgary's generation Y first time luxury homebuyers may benefit the most from uncertain real estate market conditions in light of recent instability in the oil and gas sector at the time of this report's release. With financial assistance from family sources, historically low mortgage rates and stabilizing prices for high end homes, first time homebuyers face lower barriers to entering the luxury real estate market than in years past.



Top-Tier Generational Trends TORONTO



BABY BOOMERS

Affluent baby boomers who are purchasing luxury homes in the city of Toronto are urban, luxury real estate traditionalists who gravitate towards the city's well-established, wealthy enclaves.

> As real estate consumers, their expectations of their home are the highest of the generational cohort surveyed in Toronto, reflecting their station as the most asset and income-rich generation influencing the city's real estate market.

LUXURY HOME PROFILE

According to insights from Sotheby's International Realty Canada's survey, the typical price range for a luxury home purchased by a Toronto baby boomer is between \$2 million and \$4 million.

Homebuyers with dependent children living at home are most likely to upsize into a detached single family homes with a minimum of 3,000 sq.ft. in above-grade¹ living space. Four bedrooms, including a master with ensuite, and a three-car attached garage with private drives are other minimum requirements. A priority is placed on purchasing a home with a façade, large lot and curb appeal that clearly reflects prestige and status, as well as top-of-the-line, bespoke interior finishes and appliances. Open floor plans, large principal rooms and state-of-the-art kitchens are favoured.

When lifestyle simplification becomes a priority, typically for emptynesters who are 60 years and over, single-floor condominiums are most commonly cited as the desired luxury housing type by Toronto baby boomers. Semi-detached homes are another rightsizing option, however, there is a strong skew towards single-floor living. The minimum square footage of condominimums purchased by this cohort is 2,200 sq.ft., which reflects less than a 30% reduction in above grade living space relative to the typical detached single family homes purchased by this group. Two bedrooms plus a den are considered essential. Similar to generational peers in other cities, baby boomers who are rightsizing into condominiums consider large principal rooms with open, efficient floorplans and the capacity to accommodate existing furniture as being essential. Minimum ceiling heights of nine feet, excellent views, direct access to private outdoor space and elite designer finished are also key.





UPSIZERS Single Family Homes

> MIN. 3,000 SQ.FT.1 4 BEDROOMS **3-CAR GARAGE**



RIGHTSIZERS Condominiums

MIN. 2,200 SQ.FT. 2 BEDROOMS + DEN

Toronto baby boomers who are purchasing high-end condominiums place a premium value on international, luxury-branded residences such as the Residences at the Ritz-Carlton or local luxury-branded buildings with heritage, such as the Windsor Arms Condominium Residences more so than generation X and Y luxury condominium buyers, and more so than baby boomers in Calgary and Vancouver. For the baby boomer cohort, the value of these buildings is not only in the high-end services and amenities that facilitate an opulent, convenient, low maintenance and safe lifestyle, but the fact that these buildings offer an exclusive community of similar

^{1 3,000} sq.ft. above grade

peers, plus on-site venues such as restaurants and bars where they can meet. Furthermore, the survey reveals that the white glove services available at such luxury residences, including 24 hour concierge and private valet parking, are desirable not simply for their convenience and practicality, but because the friendliness and interaction between staff and residents makes them feel connected and "at home".

TOP-TIER NEIGHBOURHOOD PROFILE

Of the generations of luxury homebuyers surveyed, baby boomers have the strongest inclination to purchase in neighbourhoods with a longstanding history and reputation of wealth and exclusivity.

> Traditional, upscale enclaves such as Rosedale, Forest Hill and Yorkville rank highest with this cohort not only due to the quality of homes and community amenities, but to the brand prestige of the neighbourhood itself.

In additional to neighbourhood brand equity, attributes considered essential for a top-tier neighbourhood are walkability, proximity to social peers and easy access to transportation and highways to downtown and to cottage country.

The survey also reveals that for baby boomers with dependent children at home, proximity to a desirable private or public school remains the number one consideration in a luxury home purchase. Those who are emptynesters and at stage where lifestyle simplification becomes a priority gravitate towards the Financial District and Yorkville, where Toronto's pre-eminent luxury condominium buildings are clustered. There is also a sizable group that have a preference for remaining in their current neighbourhoods if they are able to purchase a condominium that meet their criteria.



ANNEX

FINANCIAL DISTRICT (CONDOS)

FOREST HILL

HOGG'S HOLLOW

LAWRENCE PARK

LYTTON PARK

MOORE PARK

ROSEDALE

YONGE/SUMMERHILL

YORKVILLE



LUXURY HOMEBUYER PROFILE

According to survey feedback, baby boomers purchasing luxury homes in Toronto can be divided into two main segments with unique real estate purchase triggers. Those who are family stage upsizers are mainly traditional or blended families with two to four older children. Their luxury home purchase is most likely motivated by the needs of growing families, remarriage and the blending of families, or the decision to purchase a more luxurious home that they can enjoy given their life stage and status. Those who are rightsizers are likely to purchase a home following divorce, retirement or at the point where they are wanting to simplify their







TOP-TIER GENERATIONAL TRENDS, TORONTO

primary home set-up so that they can travel more or divest their real estate investments into vacation properties. This group is most likely to be comprised of emptynester couples or to a lesser degree, singles.

The vast majority of the luxury homebuyers in Toronto within this generation have built their wealth as financial executives and investment bankers, reflecting the city's position as having the third largest financial services sector in North America after New York and Chicago². Large business owners and entrepreneurs, senior executives and chief executive officers, and senior professionals in traditional fields such as law and medicine comprise the majority of top-tier homebuyers. Regardless of profession, the typical Canadian of this generation is expected to individually average \$56,000 in inherited capital³.

As a result, Toronto baby boomers purchasing luxury homes are the most asset-rich of the generations surveyed. Survey feedback indicates that a combined annual household income of over \$500,000 is typical, with a smaller segment earning approximately \$300,000 to \$500,000. Additionally, over 75% own secondary or recreational properties, largely in the surrounding cottage country of Muskoka and Collingwood, or in Florida.





² City of Toronto, Key Industry Sectors: Financial Services, 2015.

³ BMO Wealth Institute, Passing it on: What Will Future Inheritances Look Like? 2009.

GENERATION X

Generation X buyers of top-tier real estate purchasers in Toronto are largely family-driven, aspirational homebuyers who are juggling the needs of growing families, cosmopolitan lifestyles and more often than not, dual careers. As real estate consumers, this cohort's purchases are driven primarily by the needs of their children. The top driver of a home purchase is to ensure close proximity to a desirable private or public school, followed by maximizing the total square footage of the home without too many trade-offs in luxury quality.

LUXURY HOME PROFILE

According to survey feedback, this cohort is within the family building stage and most are purchasing homes with a minimum of 2,000 to 3,000 sq.ft. above grade⁴ in order to accommodate those needs. A minimum of three to four bedrooms, including a master with ensuite are considered essential, as are a minimum of two parking spaces. Open floor plans, including open-concept kitchens that overlook family rooms, high-end entertainment and theatre rooms, fully finished basements, walk out yards and nanny suites are all luxury home attributes that are considered key.

While this generation of high-end homebuyers are willing to let the goal of maximizing home and yard space offset location to a certain degree, they also seek out homes with façades and curb appeal that reflect their increasingly well-established professional and community statuses. There is an expectation that the home have quality, high-end luxury finishes, designer appliances and contemporary design and open layout.

TOP-TIER NEIGHBOURHOOD PROFILE

The most important consideration in the purchase of a residence for typical generation X luxury homebuyers is its location in a neighbourhood with an excellent private or public school.

> In Toronto, survey results also show that this cohort also ranks proximity to their private sports and social club as an important neighbourhood attribute, as well as being close to their personal and children's desired peer group. Like baby boomers and generation Y, walkability is considered an essential characteristic to a top-tier neighbourhood by Toronto's generation X, with the ability to walk out to shopping, dining, parks and community centres high on their list of priorities.

Generation X luxury homebuyers in Toronto are ambivalent towards being within close proximity to the downtown core or public transit. Approximately 50% are inclined to buy a luxury home within 10





Single Family Homes

MIN. 2,000-3,000 SQ.FT.4 3-4 BEDROOMS 2 PARKING SPACES



Prime Neighbourhoods

ANNEX THE BEACHES

BEDFORD PARK CHAPLIN ESTATES

CRICKET CLUB

DAVISVILLE VILLAGE

FINANCIAL DISTRICT (CONDOS)

HIGH PARK

LAWRENCE PARK

NORTH TORONTO

ROSEDALE

YONGE/SUMMERHILL

YORKVILLE (CONDOS)

^{4 2.000-3.000} sq.ft, above grade

TOP-TIER GENERATIONAL TRENDS. TORONTO



kilometres of downtown. While there is indication that being within walking distance to the city's subway system is desirable, proximity to transit is not a defining feature of a desirable neighbourhood to this group. Due to time constraints and the sheer geographical expanse of the city of Toronto, most are willing to drive, so this cohort considers easy highway access to downtown a more important priority.

With the average price of a conventional, detached single family home reaching \$1,040,018 in Toronto 5, generation X luxury homebuyers are actively seeking alternative neighbourhoods to the traditional, high-end neighbourhoods of previous generations. Cost of housing is only one consideration.

Survey results indicate that even those generation X homebuyers who are able to afford multi-million dollar homes in established neighbourhoods such as Rosedale or Forest Hill seek areas that are more diverse, reflecting this generation's desire for active community connection, diversity and engagement.

LUXURY HOMEBUYER PROFILE

Due to the high cost of conventional and top-tier housing in Toronto, dual incomes are typically required to purchase a home that would be considered "luxury" by this generation. According to survey feedback, the typical household income of high-end homebuyers in the generation X group is \$250,000 to \$500,000, and often above. Financial executives and investment bankers are the largest group of generation X luxury real estate purchasers. Successful mid-career professionals in fields such as law and medicine, as well as business owners and entrepreneurs are also buyers of top-tier homes.



Luxury homebuyers in this group are also largely self-sufficient in their home purchase, with less than 20% receiving assistance from families for their downpayment, according to survey insights.

> Over 75% take out a mortgage and are more likely to require it to purchase their desired home rather than simply using it as a strategy for financial investment. This cohort is also actively building their real estate portfolio, with over 50% owning a secondary or vacation property, most commonly in the nearby Muskoka or Collingwood cottage country region.







⁵ Toronto Real Estate Board, Market Watch, February, 2015.

TOP-TIER GENERATIONAL TRENDS, TORONTO

Most generation X luxury homebuyers are double-income families with one to two younger children. Double income couples with no children, and blended families with two to three older children also comprise this segment. The anticipation of a first child, growing families, income growth and career advancement are the most common triggers for the purchase of a luxury home.

The far smaller segment of generation X buyers purchasing luxury condos are more likely to be double income couples, or separated/divorced singles, with divorce and separation being the most common trigger for a luxury condominium purchase.



Traditional Families (#1) Married/Common Law Blended Families

1-2 YOUNGER CHILDREN



NO CHILDREN



2-3 OLDER CHILDREN

GENERATION Y

Generation Y is only now entering the years for purchasing a first home. Their preferences and needs, however, predict future consumer influences on the city's high-end real estate market. On one hand, this metropolitan, social-lifestyle driven group has high aspirations that their first home meet top-tier standards in quality, finishings, cachet and building amenities. On the other hand, this group can be characterized as luxury real estate trailblazers, who are purchasing homes in neighbourhoods that reflect an emerging set of social values.

LUXURY HOME PROFILE

While average first-time buyers in Toronto are likely to enter the market with a home that is just over \$400,0006, survey feedback indicates that generation Y luxury homebuyers typically enter the real estate market with a home that ranges from \$800,000 to \$1 million. Condominiums are by far the most common property type purchased, and 900 square feet is considered the minimum size. The small percentage of generation Y buyers that are starting families are likely to purchase smaller rows, semis or detached single family homes with 1,500 minimum square feet above grade at prices that range from \$800,000 to \$2 million.

The first and foremost consideration for generation Y luxury real estate consumers is a neighbourhood that facilitates their urban and social lifestyle. At the same time, this cohort is most likely to purchase a presale, brand new or resale condominium that is under three years of age as there is no indication that renovation or redesign are desirable as part of the home purchase process. They are sophisticated buyers with high expectations of quality: modern/contemporary design, high quality finishes and hardwood flooring, appliances that reflect an entry-level of luxury are considered fundamental requirements. Open concept kitchens and entertaining spaces are key to this group, as are communal outdoor spaces that facilitate socializing. There are trends of ambivalence towards parking within generation Y luxury homebuyers. Considered essential to older, high-end condominium buyers, there are indications that parking is not deemed essential to the many in generation Y who rely on public transit.

In addition to practical considerations relating to the building, such as its reputation and management, this demographic places a high priority on a building's cachet. Generation Y however, is the least likely to select a luxury condominimum building based on a heritage high-end brand, showing a far stronger inclination towards new and novel luxury building concepts in emerging neighbourhoods.

TOP-TIER NEIGHBOURHOOD PROFILE

The selection of a neighbourhood drives the real estate purchase decisions of generation Y luxury homebuyers. Like their generational peers in Vancouver, Calgary and Montréal, this cohort treats their immediate



TYPICAL PRICE: UNDER AGE 28 \$800K-1 Million **TYPICAL PRICE: OVER AGE 28** \$800K-2 Million



Condominiums MIN. 900 SQ.FT.



Prime Neighbourhoods

THE BEACHES THE ANNEX **BEDFORD PARK** CHAPLIN ESTATES DAVISVILLE VILLAGE **ENTERTAINMENT DISTRICT** HIGH PARK **LEASIDE** RONCESVALLES VILLAGE **WANLESS PARK** YONGE/SUMMERHILL

⁶ BMO Financial Group, First-Time Home Buyers Report, 2014.

TOP-TIER GENERATIONAL TRENDS, TORONTO

area as a direct extension of their home and living space. Walkability to restaurants, bars, cafes, entertainment venues, and art galleries is considered essential for a neighbourhood to be considered top-tier.

Proximity to Toronto Transit Commission (TTC) service, particularly the subway, is also cited as a highly desirable neighbourhood trait by Toronto's generation Y luxury home purchasers. Access to bike paths and walkways as a top-tier neighbourhood preference also suggest a shift towards a more environmentally conscious real estate consumer mindset.

In Toronto, the trend is for generation Y luxury homebuyers to choose neighbourhoods that are not only walkable, but vibrant, eclectic and culturally and socio-economically diverse. Established luxury neighbourhoods hold the least appeal for generation Y, and there are strong indications that this is not simply due to affordability and life stage, but to shifting values that place value on connecting substantively with communities and peers that are more cosmopolitan and global.

LUXURY HOMEBUYER PROFILE

The vast majority of luxury homebuyers of this generation are either affluent double income couples, or high-income singles with no children. Young married couples with one young child comprise a very small segment. Survey results indicate a slight skew towards women amongst the single buyers, and the most commonly represented professions are financial and banking professionals, professionals in traditional fields such as law and medicine, professionals in non-traditional fields such as technology and software and young entrepreneurs and business owners. Survey feedback indicates the estimated combined household income of a couple purchasing a luxury home is \$100,000 to \$250,000, while that of singles is in the \$80,000 to \$100,000 range.



Married/Common Law

NO CHILDREN



Singles **FEMALE SKEW**

Most real estate purchases by generation Y are prompted by the decision to move in together, an upcoming marriage, income growth or career advancement, as well as a strong incentive to enter the market given low mortgage rates. Survey findings also suggest that the large downpayments required on high-end homes in Toronto see over 50% of generation Y homebuyers receiving assistance from their families for the initial payment and over 95% of them relying on mortgages. Since the focus for this group is on acquiring their first real estate asset, less than 10% of luxury homebuyers own secondary or vacation properties.





TYPICAL HOUSEHOLD **INCOME: COUPLES**

\$100-\$250K

TYPICAL HOUSEHOLD **INCOMF: SINGLES**

\$80-\$100K





DOWNPAYMENT **EXTERNAL ASSISTANCE**

over 50%





Top-Tier Generational Trends MONTRÉAL



BABY BOOMERS

Baby boomers who are purchasing luxury homes in Montréal are financially established, asset and income-rich and have correspondingly high expectations of the property they purchase. Best characterized as luxury real estate traditionalists, this cohort trends towards purchases in the city's most gentrified and longstanding luxury neighbourhoods, prioritizing an area's prestige, exclusivity, and privacy more so than the generations that follow.

LUXURY HOME PROFILE

Montréal's luxury homebuyers of this generation are most concerned about having sufficient space to facilitate their lifestyles, according to survey insights.

> Those upsizing at this stage, often have dependent children at home and are most likely to purchase detached single family homes with a minimum of 3,000 square feet above grade¹ and three to four large bedrooms including a master with ensuite. An attached garage with private drives for two vehicles is also considered essential. Survey results show that in addition to opulent home facades and state-of-the-art interior finishings and appliances, maximizing space is a priority. As a result, large principal rooms with open floor plans, spacious secondary rooms and ample closets and storage are ranked as being the most desirable home attributes. Open kitchen and dining areas that can accommodate large families and guests are also key. Privacy is a priority, as a result, expansive yards and green space are considered important property characteristics. Other practical concerns for luxury upsizers of this generation include the desire for a single family home to be on the flat level, and for there to be fewer levels and stairs to navigate.

> For the segment of Montréal baby boomers who are over the age of 60 and who no longer have children at home, the survey reveals that luxury condominiums are the top property type of choice as they enable a simplified, "lock-and-go" lifestyle. Rather than downsizing into significantly smaller properties however, there is a clear trend for luxury condo buyers of this generation to rightsize into units with large square footages. The typical condominium purchased by this cohort has a minimum of 2,500 square feet and at least three bedrooms, a reduction of less than 20% in above grade living space relative to peers purchasing single family homes. Condo units that are over 3,000 square feet are also commonly purchased by this group.

The home attributes sought after by this group are similar to those purchasing single family homes: open, efficient floor plans, spacious principal and secondary rooms, statement kitchens opening up to large dining areas and highest-end finishes and appliances, often by elite international designers. Stellar views, exclusive entrances and private elevators are also top priorities. Rightsizers are also seeking the simplified lifestyle





MIN. 3,000 SQ.FT.1 3-4 BEDROOMS 2-CAR GARAGE



^{1 3.000} sq.ft, above grade

TOP-TIER GENERATIONAL TRENDS, MONTRÉAL

that is facilitated by condo-specific amenities and services. 24 hour concierge, on-site security, doormen and private valets are all cited as the most sought-after services.

Compared to generation Y or X luxury condo buyers, baby boomers are more likely to give greater weight to a property affiliated with a traditional, internationally-acclaimed luxury brand such as the Ritz-Carlton Montréal, or to a prestigious, local developer. This is consistent with generational peers in Vancouver and Toronto.

TOP-TIER NEIGHBOURHOOD PROFILE

The vast majority of high-end homebuyers in the baby boomer generation in Montréal are urban-centric: according to survey findings, over 80% purchase primary residences within 5 kilometres of downtown.

This cohort shows the strongest preference for the city's traditional, fully gentrified luxury neighbourhoods, including Westmount, the Golden Square Mile, downtown Montréal, Old Montréal, Outremont, the Town of Mont-Royal and Ville Marie. More so than generation X or Y, affluent baby boomers are drawn to these neighbourhoods specifically for their prestige and exclusivity and to be surrounded by similar peers.

While baby boomers with dependent children purchase a luxury home with an excellent private or public school as the top priority, this generation also considers safety and walkability to nearby restaurants, cafes, high-end grocery stores and other services to be essential characteristics of a top-tier neighbourhood. Proximity to their private members' social or sports club is also a desirable attribute.

Unlike their counterparts in Toronto and Vancouver, access to public transit was not indicated as a necessary top-tier neighbourhood trait for affluent Montréal homebuyers.



Prime Neighbourhoods

GOLDEN SQUARE MILE
DOWNTOWN MONTRÉAL
OLD MONTRÉAL
OUTREMONT
TOWN OF MONT-ROYAL
VILLE MARIE
WESTMOUNT





TYPICAL HOUSEHOLD INCOME over \$300,000



LUXURY HOMEBUYER PROFILE

With well established careers and financial portfolios, baby boomer luxury homebuyers are the most asset rich of the three generations examined. The survey reveals that the majority earn a combined household income of over \$300,000, with senior professionals in law, medicine and engineering, senior executives and CEOs, financial executives and investment bankers, and large business owners and entrepreneurs being the main professions represented. Over 80% of luxury primary homebuyers also own a vacation or secondary property in Florida or cottage country. Fewer than 30% use a mortgage to purchase their luxury home and most who do apply it as part of a broader financial strategy given low lending rates. Almost all put down a complete downpayment without external financial assistance.

The family profile of this generation of luxury homebuyers varies based on whether they are upsizers or rightsizers. The former are most likely to be traditional families with one or two older

TOP-TIER GENERATIONAL TRENDS, MONTRÉAL

children living at home. Blended families with three to four older children are a secondary segment. In Montréal, baby boomers who are upsizing into luxury homes are likely to be prompted by growing families, remarriage or the blending of families or the decision to purchase a home that reflects the professional and financial status they have achieved.

In contrast, rightsizers are most likely to be married, emptynester couples with affluent singles comprising only a small segment. Retirement and the decision to simplify to single-floor condominimum living are the key triggers for buying a luxury condominium. Divorce is another prompter.

Traditional Families

1-2 OLDER CHILDREN

Blended Families 3-4 OLDER CHILDREN

Emptynester Couples

sothebysrealty.ca

GENERATION X

Generation X is largely in the midst of prime, family-rearing years and their luxury real estate purchases reflect these priorities. As family-driven, aspirational homebuyers, this cohort prioritizes maximizing home size in order to accommodate growing families, premium school districts in order to ensure access for their children and home quality and prestige as they move into a life and career stage where premium luxury homes become more accessible.

LUXURY HOME PROFILE

According to survey findings, generation X luxury homebuyers typically spend \$1 million to \$1.5 million on their primary residence. Most are purchasing homes with a minimum of 3,500 to 4,500 sq.ft.² with the goal of purchasing a home and property that is as large as possible in order to suit their family, while being within close proximity of their children's school. Three bedrooms and more often four are considered a minimum requirement, while two attached garages with private drives are also deemed essential given the city's harsh winters.

Many within this cohort are reaching new levels of financial and career success, and the homes they purchase reflect this next level of status. There is a strong preference for home exteriors that reflect prestige. Interior essentials include all the baseline attributes of current luxury homes, including modern design, open concept layouts, high end finishes, top-of-the-line kitchens and appliances, luxurious bathrooms and top-tier family-focused amenities, such as nanny suites and high-end entertainment, theatre or family rooms.





Single Family Homes

MIN. 3.500-4.500 SO.FT.² 3-4 BEDROOMS 2 ATTACHED GARAGES

Unlike generation Y Montréalers who prefer purchasing new homes and unlike baby boomer luxury home purchasers who show more ambivalence towards home renovation, generation X is more open to renovating a home in order to bring it to contemporary standards of luxury and to customize to personal preferences.

> This generational trend is more prominent in the Montréal market, which has a more substantial stock of distinguished heritage homes than cities with newer housing stock such as Vancouver and Calgary.

A very small percentage of generation X high-end home buyers purchase luxury condominiums, largely if they are single or couples without children. With minimum square footages of 1,500 square feet, these properties often share the same characteristics as those purchased by baby boomers, but at slightly lower price points and sizes.

TOP-TIER NEIGHBOURHOOD PROFILE

Proximity to a preferred private or public school for children is the leading neighbourhood attribute considered by generation X luxury homebuyers in Canada's four largest real estate markets. Survey insights suggest that in Montréal, this cohort also cites close proximity to parks and recreation,

BUY WITHIN 5 KM OF DOWNTOWN over 60%

^{2 3,500-4,500} sq.ft. above grade

a family-oriented community feel and walkability to restaurants, cafes, grocery stores, and community centres as top priorities. Neighbourhood prestige is considered a strong incentive, but it is not the driving motivator.

Several of Montréal's most longstanding and wellestablished luxury neighbourhoods remain popular with generation X luxury homebuyers and to a greater degree than for generation X in cities like Vancouver and Toronto.

> This is due to the fact that traditional high-end enclaves like Outremont and Westmount not only boast several of Montréal's most prestigious private and public schools, the average price of single family homes in these neighbourhoods have not escalated as rapidly or steeply as in Vancouver and Toronto's traditional luxury neighbourhoods.

In contrast to the over 80% of baby boomer and over 95% of generation Y top-tier homebuyers who are purchasing homes within 5 kilometres of downtown Montréal, generation X shows the most willingness to move beyond the city's immediate epicentre in order to attain larger lot and home sizes. This mirrors similar generational trends in other cities surveyed. The percentage of the Montréal cohort purchasing their primary homes within 5 kilometres of downtown is estimated more conservatively at just over 60%.



Prime Neighbourhoods **HAMPSTEAD** LE PLATEAU NOTRE-DAME-DE-GRACE **OUTREMENT** TOWN OF MONT ROYAL **WEST ISLAND** WESTMOUNT

LUXURY HOMEBUYER PROFILE

Based on survey findings, the typical luxury homebuyer in this cohort has a combined household income of \$100,000 to \$300,000 and is largely reliant on double incomes in order to enter the high-end market. Given that generation X is currently within the prime years for having children, families with two to three younger children and blended families with two to four older children comprise the majority of luxury homebuyers, with married couples without children a tertiary segment. The most common triggers for a real estate purchase are the arrival of a first child and family growth, followed by career advancement and salary increases that allow for a home upgrade.





Traditional Families (#1) Blended Families

2-3 YOUNGER CHILDREN



2-4 OLDER CHILDREN



Married Couples

NO CHILDREN

Generation X luxury homebuyers in Montréal, similar to peers in

Vancouver, Calgary and Toronto, are also more financially self-driven than generation Y: the survey findings suggest that less than 20% receive outside assistance from family or other sources for their initial downpayment. Over 80% use a mortgage on their home purchase, taking advantage of low rates and carrying costs to access higher priced and larger homes to better suit growing families. Less than 20% are estimated to own recreational

TOP-TIER GENERATIONAL TRENDS, MONTRÉAL







or secondary properties. Those that do are more likely to have a property in nearby Mont Tremblant, the Eastern Townships or the Laurentians rather than one in the U.S. sunbelt.

Relative to the high cost of real estate in cities such as Toronto and Vancouver, Montréal's conventional and luxury real estate market is comparably accessible. As a result, a broader professional spectrum is purchasing luxury real estate within this city's generation X. Successful mid-career professionals in medicine, law, finance, technology and fashion, as well as business owners and entrepreneurs, are the most common top-tier real estate consumers.

GENERATION Y

Montréal's generation Y luxury homebuyer benefits from historically low interest rates, as well as the fact that the city's top-tier real estate is more accessibly priced than similar housing stock in cities such as Vancouver and Toronto. As a result, a broader range of generation Y professionals are able to enter the luxury real estate market as first-time purchasers and their high demands for quality, preference for new construction, and openness to diverse and emerging urban neighbourhoods positions them as luxury real estate trailblazers within the market.

LUXURY HOME PROFILE

Survey insights reveal that generation Y high-end homebuyers typically enter the market with a luxury home purchase that ranges between \$400,000 and \$600,000. While this is significantly higher than the \$237,900³ paid by the average first-time homebuyer in Montréal, it is also much lower than the typical price paid for a luxury home by generation Y in Vancouver, Calgary and Toronto.

This cohort is most likely to purchase a condominium with a minimum of 850 square feet and a typical range of 850 to 1,000 square feet. Those who are starting families comprise only a very small percentage of this group. With budgets of \$800,000 to \$1.5 million they are most likely to purchase attached homes, semis or small single family homes with a minimum of 2,500 square feet above grade, plus a basement.

TYPICAL PRICE: UNDER AGE 28 \$400-\$600K **TYPICAL PRICE: OVER AGE 28** \$800K-1.5 Million



Similar to their counterparts in Canada's largest cities, this generation has a strong preference for new construction. Over 80% of Montréal's luxury real estate buyers in this cohort gravitate towards brand new homes or resale properties less than three years old while showing little to no interest in renovating older housing options.

> The quality, cachet and demographics of a condominium building are also important considerations for this age bracket.

Similar to generation Y luxury real estate consumers in other markets, Montréal buyers of this cohort have very high standards for their first home. Quality finishes and flooring, high-end appliances, modern/contemporary interior design and aesthetics are all de rigueur. Open concept kitchens, space in which to entertain and access to outdoor space are also priorities.

TOP-TIER NEIGHBOURHOOD PROFILE

For Montréal's generation Y luxury homebuyers, being in the right neighbourhood takes priority over all other considerations. According to the survey results, this group elects to live downtown with over 95% of



³ BMO Financial Group, BMO Home Buving Report: First-Time Buvers' Budgets Increase to \$316,100 While Rising Prices Cause Delays.c 2014.

TOP-TIER GENERATIONAL TRENDS. MONTRÉAL

them opting to purchase within 5 kilometres of the city's downtown core. Similar to their peer group in Vancouver, Calgary and Toronto, affluent home purchasers of this generation buy in trendy, urban and walkable neighbourhoods close to work, treating local restaurants, bars, cafes and arts and entertainment venues as extensions of their personal living space.

At the same time, this generation is redefining the boundaries of the city's luxury neighbourhoods. Culturally, linguistically and socio-economically diverse neighbourhoods such as Griffintown, Atwater Market and other emerging districts outrank heritage luxury neighbourhoods such as Westmount and Outremont in popularity. This mirrors similar changes in lifestyle, values and resulting real estate trends among affluent millenials in Vancouver and Toronto.



Given low mortgage rates and comparatively price-accessible high-end housing prices, Montréal's luxury market is more accessible to a broader spectrum of buyers than in other cities. Affluent singles with a slight skew toward men, as well as married or common law couples without children comprise the majority of buyers. A diversity of professions are well represented, including law, medicine, finance, consulting, technology and software. The approximate combined household income of those purchasing a luxury home at this generational stage is \$100,000 to \$200,000 with an estimated 60% relying on financial contributions from





VILLE MARIE SUD WEST

\$100-\$200K

parents or family towards their downpayment. Similar to other major metropolitan markets, over 95% use mortgages. Less than 5% of luxury primary homebuyers in this cohort own a secondary or vacation property as they are primarily focused on purchasing their first home.





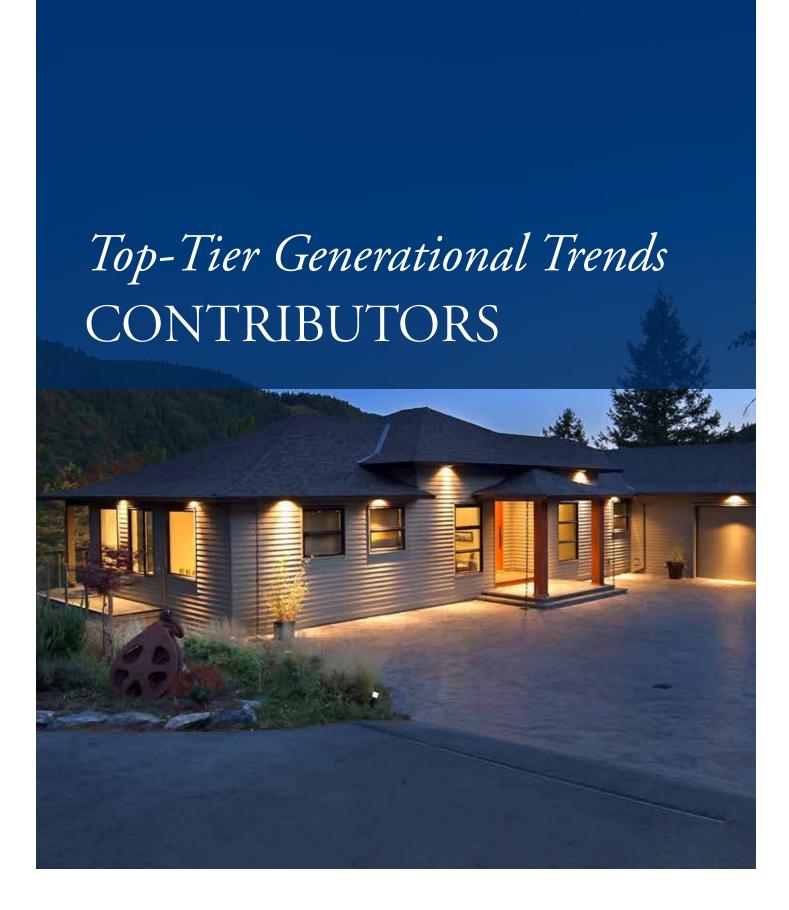


Generation Y buyers are most likely to purchase a luxury home upon moving in with a spouse or common law partner, or upon career advancement and income growth. Currently low mortgage rates are also a key factor in their decision to buy versus rent.









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