

# SHINING A LIGHT ON RESIDENTIAL LAND LEASE

How the financial and lifestyle benefits of Residential Land Lease  
can contribute to the comfort and security of your retirement

A comfortable retirement means many different things to Canadian Boomers, but there is one thing with which we can all pretty much agree: it's something we all want to enjoy. Whatever we may see ourselves doing once we're no longer working for a living, we all want to be able to do it knowing that this next stage in our lives will be comfortable and financially secure.

However, a comfortable retirement, be it in a house, a condominium or an apartment, requires adequate retirement financing, and finances are a growing concern for Boomers. Indeed, according to the 5<sup>th</sup> annual report by HSBC Insurance

out to fund a retirement of 20 years (not an unreasonable projection, according to most actuarial experts), these savings would amount to about \$190 a month (assuming a 5% rate of return). So much for the Golden Years!

But what are Boomers likely to do? They can stay where they are until they have to sell, hoping for a stronger market. In the meantime, they are often heating, cleaning, maintaining and paying taxes on space in the home they rarely, if ever, use any more. If they sell their home now and move into an apartment, they may be left with no sizeable asset in later years to serve as a financial cushion. They

The compelling benefits of land lease addresses  
**BOTH THEIR FINANCIAL CONCERNS AND THE LIFESTYLE CHOICES**  
they still want to be able to make

entitled 'The Future of Retirement – It's Time to Prepare', released in 2009, "... only 17% of Canadians currently feel very well prepared for retirement. The findings reveal an alarming 83% of people do not know what their retirement income will look like." That's a startling statistic, given the huge number of Canadian Boomers – about 9.5 million, or almost 1/3 of all Canadians – who are either retired or are approaching retirement. They are beginning to face a hard reality: they may not have sufficient funds set aside to finance their retirements and still maintain a comfortable lifestyle.

It's worth noting that this phenomenon is not unique to Canada. In the U.S., Wells Fargo's 6<sup>th</sup> annual Retirement Fitness Survey reported in 2010 that the median retirement savings of respondents age 50 to 59 is \$29,000. Stretched

can downsize into a condo, which traditionally costs less than a house, and use the funds left over to help finance their retirement. But most Boomers are used to living in a house and don't want to sacrifice their lifestyle completely; indeed, the overwhelming majority want to retain their current lifestyle as much as possible. It is exactly because of this conundrum that an increasing number of Boomers are considering a fourth viable alternative to the traditional options of apartment or condominium living, or freehold home ownership: residential land lease.

The popularity of owning your home and leasing the land on which it sits makes sense to a growing number of Boomers when they consider its advantages. The compelling benefits of land lease addresses both their financial concerns *and* the lifestyle choices they still want to be able to make.



It fosters the pride of home ownership, it frees up a substantial amount of equity from their current home to use as they please, while creating equity in a new home that is less expensive than comparable freehold homes, and with lower property taxes.

Simply put, in a land lease community a resident owns their home and leases the land on which it sits. It is a very common concept in the U.S. and in many parts of Europe, and is quite similar to the idea of condominiums. Typically, in a condo the resident owns what is essentially an apartment; everything structurally inside its walls is theirs. As well, residents share common areas such as hallways, lobbies, elevators and recreational areas with the other owners, and a monthly fee is paid to the property owner. To these homeowners, land ownership is seen as unimportant.

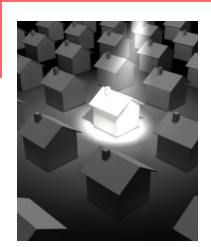
In a residential land lease community, the resident owns a detached or semi-detached home or townhouse. It is exactly like freehold ownership in the sense that the resident owns everything from the ground up and they lease the land on which their home sits. Like condos, homeowners share common areas such as roads, sidewalks and amenities, a monthly fee is paid to the landlord and, as with condominium owners, is simply seen as a sound means of financing land.

As most couples or singles moving to a land lease community are downsizing from a larger, family home, they access a considerable sum of money by buying a smaller home and, most importantly, by not paying for the land. The resulting difference often provides Boomers access to hundreds of thousands of dollars, depending upon where it is they are moving from and to. That money can now be used to travel, assist family members ... or invest to better finance their retirement. They have financial latitude they did not have before, plus they enjoy the advantage of still owning their home, so they retain a major asset that can be beneficial to them further down the road. It is, in some ways, similar to a reverse

mortgage. However, unlike a reverse mortgage, homeowners are not facing a rising debt/diminishing equity encumbrance over time. It's true they now have monthly payments they may not have had in a mortgage-free freehold situation, but the benefits are clear - substantially lower property taxes, reduced maintenance costs like heating and insurance and, most significantly, money that can now subsidize their lifestyle. Alternatively, returns generated by prudently investing the newly accessed capital can also help to offset the impact of land lease payments. Moreover, they are now in a new home that is also easier to maintain and keep clean and which, historically, has appreciated over time. As well, their rights as lease holders are effectively protected by government legislation.

The other principal benefit of residential land lease is that homeowners retain many of the lifestyle characteristics to which they were accustomed in their family homes, and which they plan to continue enjoying as part of their retirement. Front and back yards, as opposed to balconies, make gardening possible, an activity many Boomers intend to maintain in the years to come. It affords them the opportunity to build decks, have barbecues and entertain in a manner that condominium balconies simply don't. Importantly, grandchildren (one of the main reasons Boomers relocate is to be closer to their grandchildren) are able to play and be entertained in ways that would be impossible in a condo or an apartment. Lastly, of course, homeowners are not subject to the special assessments that condominium owners often endure.

But perhaps the most compelling lifestyle benefit of land lease communities is the sense of shared community spirit and support that they foster. Most neighbourhoods have recreation centres that serve as the social hub of the community. It is here that a myriad of activities and events take place: pot luck suppers, exercise classes, craft workshops, card nights, dances, parties, pub nights - the list is limited only by the imaginations



of the homeowners themselves. It's this shared sense of community, nurtured by the residents and encouraged by the management, that really define the character of a neighbourhood.

move to an apartment or a condo represents too radical a departure from the style of living with which they have not only grown comfortable, but which they consider as essential to their future lifestyle. They appreciate that retiring into a residential land lease community offers them the

## RESIDENTIAL LAND LEASE COMMUNITIES ... WILL CONTINUE TO BE AN EVER-INCREASING PART OF THE FABRIC OF FUTURE HOUSING IN NORTH AMERICA

---

It is also this supportive sense of community and security that makes residential land lease so attractive to single women. Indeed, of the 2,300+ homeowners in the communities of Canada's largest owner and operator of land lease properties, over 26% are single women. Virtually all of those who were asked why they chose to live in a land lease neighbourhood cited the sense of security and kinship they could rely on; they felt welcome and safe.

Condominium and apartment living certainly have their place and, for a variety of reasons, remain the choice for some Boomers. For others, the

opportunity to retain the lifestyle they enjoy, with an enhanced peace of mind about their finances that allows them to enjoy their retirement more.

Residential land lease communities have become increasingly sophisticated in styling homes to suit virtually any need or desire that Boomers may have, and in offering numerous amenities not found in other housing options. By providing the financial and lifestyle benefits that contribute to the comfort and security of Canadian Boomers planning for their retirement, they will continue to be an ever-increasing part of the fabric of future housing in North America.