

A little place in the country: A profile of Canadians who own vacation property

by Frances Kremarik

An idyllic television scene shows a cottage on the lake or a cabin in the woods with families frolicking about. While for some a vacation home may be either of these, for others it could be a condominium in the heart

of a city. But no matter what form it takes, a vacation home is a place where one can go to relax and enjoy life.

Although owning a second home in the country was historically a privilege reserved for the wealthy, the wish to

own a residence outside the city was not limited to the elite. Indeed, after the Second World War, middle-class families began to purchase or build vacation homes away from their urban residence. For many Canadian second

CST What you should know about this study

The Survey of Financial Security (SFS) interviewed approximately 23,000 households in May and June of 1999. It collected general information on household demographics, education, employment and income for household members aged 15 and older, and asset and debt information for the household as a whole. Respondents were asked if they owned a secondary property or properties (a property that is not their principal residence), its value, and if the property was located inside or outside Canada. The survey did not collect data on vacation properties in Canada owned by residents of other countries.

Vacation/second home: respondents were asked to identify the type of property that they owned, including vacation home/second home and timeshares. As it is not possible to distinguish between a second home and a vacation home, for the purposes of this article, these terms are considered synonymous.

Household: refers to economic families and unattached individuals. An economic family is defined as a group of individuals sharing a common dwelling and related by blood, marriage, common-law union or adoption. Unattached individuals are persons living alone or with persons to whom they are not related.

Income: refers to the after-tax income of the entire household.

Wealth: the difference between the monetary value of the household's assets and the value of its debts. The value of the vacation home has been excluded from the total wealth calculation in order to compare wealth between second home owners and those households that do not own a vacation home. The data exclude households where wealth equals zero. In this article wealth excludes the value of employer pension plan benefits.

home owners, the popular spots tend to be located on the beach, by the sea or a lake, or in the mountains. Others, older Canadians in particular, sometimes purchase a second home or timeshare in warmer climates outside the country in an effort to get away from the cold Canadian winters.

Using data from the 1999 Survey of Financial Security (SFS), this article examines some of the characteristics of Canadian households who own a vacation home.

Who owns a vacation home?

Why do so many Canadians wish to go to a cottage for the weekend? It may be the allure of a good time, the need to get back to nature or, as some research shows, the status that cottage ownership brings.¹

But while many people may entertain the notion of having a second home, the rate of vacation home ownership has changed very little over the last 30 years. In 1977 just under 6% of households (464,000) owned vacation homes, and by 1999 the ownership rate

had increased only slightly to about 7% of households (823,000). In 1999, the vast majority (77%) of these households owned a property in Canada, while 21% had second homes outside the country. Another 2% of these households owned property both inside and outside Canada.

While many may think that a vacation home comes with children swimming and running about, the reality is that the majority of them are not owned by families with children living at home. This is not surprising, given that the average age of a second home owner in Canada is 52 years.² If these individuals have children, many may be grown and living in households of their own. Indeed just over one-quarter (26%) of Canadian-owned vacation homes belong to households with children, while over half (52%) are owned by couples without children and other household types. Another 22% belong to seniors.

Even though households with children are less likely than those without children to own second homes, this

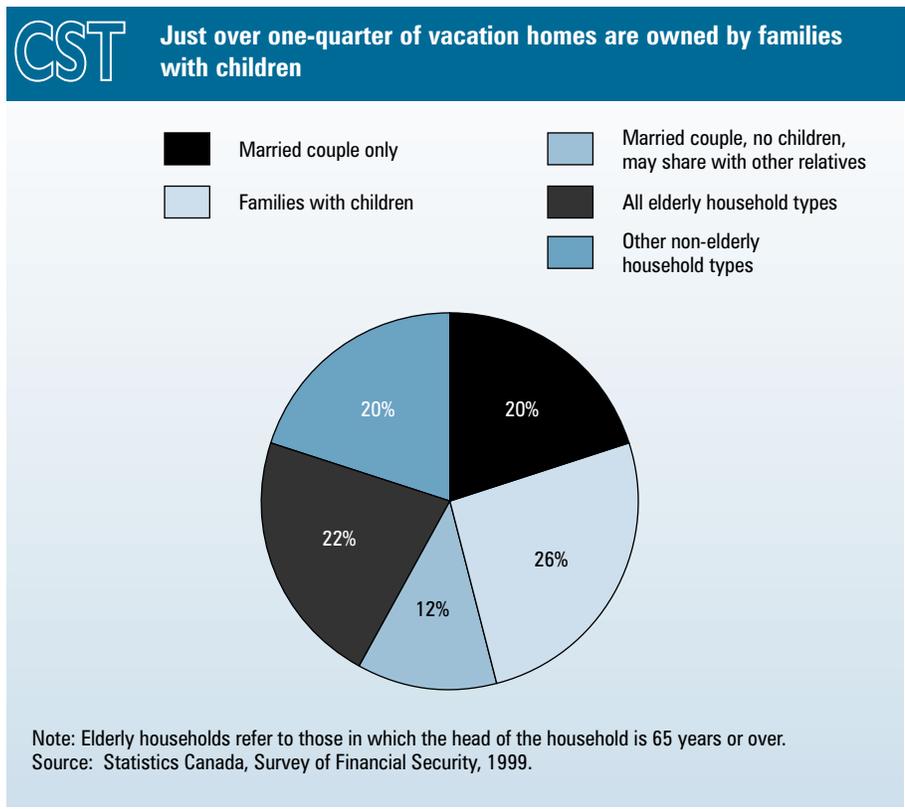
does not mean that they do not have access to a vacation property. Indeed, a second home may be owned by an older parent who then provides access to their children and grandchildren. Also, some families may rent a cottage rather than purchase one. Data from the Canadian Travel Survey indicate that there were more than one million person-trips to commercial cottages and cabins in 1999.³

Rates of second home ownership in Atlantic Canada, Quebec and Ontario are similar to the Canadian average at around 7%. In Western Canada, the rate is somewhat lower at about 5%.

While it is not possible to determine the location of vacation properties within Canada using data from the 1999 SFS, it is possible to find out where the households who own them are located. Not surprisingly, urban households own almost 9 out of 10 second homes. Undoubtedly, many of these vacation properties serve as a retreat from hectic city life.

The economics of ownership

Since so few Canadian households actually own a second home, it is useful to examine the characteristics that may distinguish these households from non-owners. Not surprisingly, income is a strong indicator of ownership. The average after-tax income of a vacation home owner in 1999 was about \$55,000; this compares to about \$39,000 for those who did not own



1. Coppock, J.T. 1977. *Second Homes: Curse or Blessing?* Oxford: Pergamon Press.
2. U.S. research shows that people this age are the most likely to purchase a second home. *Realty Times*. May 9, 2000.
3. This may underestimate the total number of cottage rentals, since the Canadian Travel Survey only looks at trips of at least 80 kilometres and many individuals may rent cottages closer to home. Additionally, many cottage rentals are private and may not be included in the totals.

Average	Owns vacation home	
	Yes	No
	Average \$ 000	
After-tax income	55	39
Family wealth	285	181
Value of primary home	186	154
Value of vacation home	88	n.a.

Note: Wealth excludes the value of the vacation home and the value of employer pension plan benefits. Excludes households reporting wealth equal to zero.
Source: Statistics Canada, Survey of Financial Security, 1999.

Vacation home owner household	Family wealth ¹	After-tax income	Value of primary home ²
	Average \$ 000		
Elderly ³ married couple, no other relatives	537	52	177
Married couple with children	429	72	230
Married couple	382	53	173
Married couple, no children, may share with other relatives	400	77	183
Unattached individuals	192	29	135

1. Wealth excludes the value of the vacation home and the value of employer pension plan benefits. Excludes households reporting wealth equal to zero.
2. Value of primary home excludes cases where the value was not indicated.
3. "Elderly" refers to those aged 65 years and over.
Source: Statistics Canada, Survey of Financial Security, 1999.

a second home. Looked at in terms of concentration, nearly 6 in 10 (469,000) Canadian-owned vacation homes belonged to households in the top two income quintiles and only 2 in 10 (177,000) to those in the lowest two quintiles.

While vacation homes are more likely to be owned by those with high incomes, wealth may also be an important indicator of second home ownership. This can be seen clearly when considering that many second homes are owned by older Canadians. While these individuals might have

lower incomes if they are no longer in the work force, their wealth could be substantial.

Indeed, the data show that the average wealth of vacation home owners is substantially higher than that of non-owners. Even after excluding the value of the vacation home from their total wealth, vacation home owners' average wealth is 60% higher than that of households that are not owners — \$285,000, compared with \$181,000. As with income, only 20% of vacation homes were owned by households in the lowest two wealth quintiles, while

more than 60% were owned by households in the top two quintiles. This supports the belief that a vacation home is more likely to be the privilege of the wealthy.

While the notion of vacation home ownership may bring to mind images of a rustic cottage or cabin, the data indicate that the value of these homes is considerable. In 1999, the average value of second homes owned by Canadian households was over \$88,000, suggesting that some of these homes are located on valuable land and that many are far more than rustic getaways.

Summary

Relatively few Canadian households actually own a vacation home. The ability to own a vacation property is influenced by many factors, two of which are income and wealth: not surprisingly, vacation home owners have higher average incomes and wealth than other households. Although cottages and children are often thought of together, only about one-quarter of second homes are owned by households with children. However, it appears that many Canadians enjoy a taste of cottage life without paying the high cost of purchasing or maintaining a vacation home.

Further, given the average age of second home owners, it is reasonable to assume that many of these homes may be passed down to or inherited by the owner's children. This inter-generational transfer of wealth will be interesting to follow as properties change hands from one generation to the next.