

Finding Your Dream Home

When you're looking for a vacation home, what do you need to do to find the property that's right for you?

According to Rod Turnbull, a real estate agent with RE/MAX First in Calgary, it's very important to think about your objectives and priorities, since this will influence the type of property that will work best for you. Questions to consider, Turnbull says, include: How long a drive are you comfortable with? Will this be an investment, or a place to get away from it all? How much will you actually use this property? What is your budget? Will you be able to use the property all year, or is it seasonal? And is it close to amenities that are important to you?

According to Brad Moore, a portfolio manager at McLean and Partners Wealth Management Ltd. in Calgary, another key factor to watch is interest rates. "One of the most important things to consider, is the inverse relationship between real estate values and interest rates," says

Moore, a CFA (Chartered Financial Analyst) with more than 20 years of investment experience, including three years directly related to real estate.

"The lower the cost of borrowing money, the more that people can spend on real estate. When you lower interest rates, you dramatically increase buying power around the world."



When buying any investment asset, stresses Moore, investors must make money on the buy. "You have to buy it right," he says. Buying it right means the revenue generated by the property supports the financing for the purchase price. If you're not buying something right, Moore says, you are actually basing your strategy on the greater fool theory (in which someone buys something, expecting that a greater fool will come along later and will pay even more for it).

If you're planning to buy a property for recreational use, as opposed to a pure investment, it's still important to do the math first. This will give you a clear idea of what it will cost you to own it — because it's really a luxury to own recreational property, Moore says. For example, if you were to buy a basic ski chalet for \$300,000 and borrowed the entire amount, the interest charges at six per cent would come to \$18,000 a year or \$1,500 a month. In addition, you'll need to factor in all the other costs of owning the property, including condo fees, maintenance, property taxes, insurance, and transportation costs to get there and back Doing this will help clarify whether this purchase will be worth it, says Moore, noting that most people who own a cottage use it fewer than six weeks out of the year. You need to ask yourself: Would you rather own recreation property, with all of the responsibility and work that goes along with it? Or would you rather spend that money on a great holiday? for example, renting a villa in Italy, going on a family ski holiday or planning a fabulous trip somewhere different each year.



increase. They don't have the big swings up and down like the national real estate market," Carter says, stressing that recreational property markets are not as subject to the same type of economic swings that affect the balance of the real estate market. Recreational real estate is less vulnerable to factors that are beyond people's control, such as the price of oil, interest rates, and national economic and political events. Because of this, "recreational real estate is very constant and has continued appreciating for the last 10 – 20 years. And one of our top markets is Northwest Montana."

In the 12 months that ended in March, Northwest Montana alone set an all-time sales record, at more than \$1 billion (U.S). And realtors' associations expect the recreational market to continue showing strong growth well into the future. "If there was ever a time to invest in northwest Montana, it's now," Carter says.

With all of the options available, it's important that people acquire their recreational property with a clear vision of what they want for their future — and not base it on what everyone else is doing, stresses Dale Ens, a wealth coach at Blaeberry Estate Planning in Calgary. "I think owning recreation property is a wonderful thing, provided it's undertaken with clarity of purpose."

Before buying, Ens says, people must be clear about whether this will be a recreation property, an investment property, or a retirement property. Doing an economic evaluation is important, but it's only one side of the equation, he adds. "There is the emotional side, which is every bit as important to consider."

Whatever your dream is, there are many possibilities to choose from; it's just a matter of knowing what you want. And your dream is waiting for you to find it.