

Downsizing the nest, offloading the stress

Why older Torontonians are opting to rent rather than buy retirement digs

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- TESS KALINOWSKI REAL ESTATE REPORTER



CARLOS OSORIO/TORONTO STAR

William Jack and Mary Taylor sold their home two years ago, but they didn't buy a condo. Instead, like a growing number of people, they rented a place.



COLE BURSTON FOR THE TORONTO STAR

Retirees Jane and Bill Martin rent a two-bedroom, 1,230-sq.-ft. condo.

William Jack woke up in the middle of the night last month as he often does. This time, though, he rolled over and

went back to sleep.

That's when he knew that after more than two years of turmoil, he was finally home. The fact that the roof over his head belongs to someone else only added to his peace of mind.

William and his wife, Mary Taylor, are among a growing number of Toronto area downsizers, who are choosing to rent rather than buy a retirement nest. It's a choice, they say, that can be physically, mentally and financially liberating.

The couple — he's 71, she's 69 — are healthy, vibrant people. But a couple of years ago, their two-storey home of 32 years with its reverse ravine lot was "just consuming too much time and it was absorbing huge amounts of energy that we wanted to use in other ways," William said.

"There were rooms we didn't go into," Mary said.

"We watched both our parents go through this downsizing exercise. I swore I would never do to anyone what my parents did to me. It was a nightmare," William said.

"We wanted to leave while we still could — gracefully," Mary said.

Royal LePage realtor Desmond Brown helped sell the couple's eastend home and, in the end, he was the one who helped them find the twobedroom, 1,800-sq. ft. condo they've been renting near the lake since the fall.

The emotional and financial decision to rent rather than buy is becoming more common, said Brown. Clients like William and Mary "have had a really good run by owning their own homes for many years," he said.

"They've accumulated a lot of equity. They have a feeling that the market is going to go back down again and all the benefits of this great market are going to be lost if they don't cash in," Brown said.

At the same time, these home sellers can't necessarily see spending \$1 million or more, plus maintenance fees, on a condo.

"Yes, I was incensed when I saw these places for the same amount of money as our house. How could that possibly be?" Mary said. But, she said, "It doesn't make sense to rail against the market. That's the market, so you accept it or not."

Initially, they were open to renting or buying.

"Buying any of the units we looked at would have consumed a huge percentage of our net worth. You don't want 50-, 60-, 75-, 80 per cent of your net worth in one piece of real estate. It's just too risky," William said.

"The price of the condominiums we were looking at went up by \$20,000 a month or more," Mary said.

The couple pays about \$4,200 a month in rent. It might sound like a lot, but they write only three cheques a month — rent, hydro and cable. When they lived in their house, there were 15 to 20 regular expenses.

Gone, they say, are the bills for a security system, for chimney repairs, sewer connections and maintenance agreements on appliances. Even firewood cost \$500 a year.

The condo is the third rental for the couple since they sold their house. The first summer they rented a place in Prince Edward County and then they moved to the west end for a year. But they missed the east end.

"We realized community was much more important than we thought. The cottage was isolated and (the west end) place was so transient you couldn't have a community," Mary said.

Now they live in a building where they know other members of their yacht club, and they enjoy birdwatching near the lake. Their apartment is decorated with souvenirs of their travels, but there is no granny vibe.

It's the type of high-end rental that can be difficult to find. Apartment hunting is not particularly lucrative for realtors, even if they can find something suitable among the few leases on the Multiple Listings Service.

In the hot Toronto property market, renters are increasingly in the same position as home buyers. They have to compete, sometimes by offering higher rents or cash upfront.

"We were paying \$3,750 (in their previous west-end apartment) and when (the owner) listed it on MLS, there was a bidding war and she ended up getting \$4,500 a month," said William, an actuary and former IT executive.

Helping clients find a rental is all part of the service Brown provides when he has helped someone sell a home. He found this couple's condo by word-of-mouth. But he acknowledges the searches can be challenging. "When you're spending up to \$5,000, you're going to be picky, so finding the right one can take some time," Brown said.

Mary says they knew they were home as soon as they walked through the door of their condo. But that was after they had looked at a lot of places — many were "appalling," William said.

Is renting a condo saving them money on a monthly basis?

"Probably not. But it isn't costing us more," William said. He says they have taken the proceeds from their home sale and invested the money.

Releasing the equity on your house can actually generate enough cash flow to cover rent, agrees Scott Plaskett, CEO of Ironshield Financial Planning. For people rich in equity but cash poor, renting can give them the freedom to pay for some of the extra things they want in life. It's all very well to watch your home's value appreciate, but you can't eat a doorknob, he said.

If the decision to rent or buy a smaller home is a financial wash, he advises his clients to go with the better emotional fit. That frequently depends on whether they are comfortable giving up the control of owning their own place or whether they really need the cash to cover the cost of enjoying their retirement.

But Plaskett warns retirees to be aware that the economic environment in which they are investing the equity they have earned on their homes has changed.

"We've never really existed in an environment where we've had wealth with interest rates this low," he said.

If you're going to rent and invest your home's equity, you need to look carefully at where you're putting that money so you're not seeing your old age security benefits clawed back.

"Now you have all this money that's being released from one of the legal tax shelters in Canada into a nonsheltered environment," Plaskett said.

When their abundant garden became too much to manage, Jane and Bill Martin, 79 and 80, didn't even consider buying another home.

"We don't want the responsibility. (With an apartment) you can close the door and go away. We just didn't want to own again," Jane said.

Experienced apartment dwellers, the Martins raised their kids in an east end rental. They only bought their house south of Scarborough General Hospital because an accountant advised it as a wise investment, Jane said.

When it came time to move, it took a couple of months viewing between 15 and 20 apartments ("From the worst on

up," said Jane.)

"The ads look good but when you go and look at the place . . ." she said. "Most condos you're talking 700 to 900 sq. ft. That won't do."

They found a 1,230 sq. ft. unit with two bedrooms, two bathrooms and two balconies for \$1,882 a month near Cummer and Bayview Aves. The TTC is outside the door and conveniences such as a drug and grocery store, banks and the post office are right there.

They're not used to the shopping in their new neighbourhood yet. It feels like a long way to big stores after living five minutes from the Scarborough Town Centre for so many years.

"We had a lot of good friendly neighbours, so you miss them," Jane said. "Every now and again we make a little excursion day and head down there and do some shopping and get some haircuts."