

2019 Cottage Market Forecast

Time flies! 2018 was my 22nd year as a Chestnut Park realtor in Muskoka. This was one of my busiest years ever, with \$22 Million in sales transactions. My career sales of cottage properties now exceed 195 properties and \$280 Million.

I am the only Chestnut Park agent that actively works in both The Muskoka Lakes & The Lake of Bays markets. Approximately 85% of my sales are now comprised of repeat and referral clients. Thank you for your ongoing support!

Chestnut Park is the exclusive Muskoka affiliate for "Christie's International Real Estate". The Christie's connection has added proven global marketing reach to our Muskoka cottage listings, via the popular Christie's website & magazine.

Chestnut Park's team of Muskoka agents again outpaced the market in 2018 and increased the Brokerage's market share, with approximately \$300M in property sales. Chestnut Park continues to dominate the mid and high-end cottage market segments across Muskoka.

In 2018 the greater Muskoka/ Haliburton/ Orillia Region saw total Recreational property listings fall by 9%, while total number of properties sold dropped by 11% from near-record 2017 levels. The total dollar value of those 2018 transactions also declined, indicating a drop in the Region's average sale price of a cottage property this year. In my opinion this decline was primarily due to a lack of higher-end listings and resultant sales.

On The Muskoka Lakes, the total number of cottage transactions for 2018 YTD shows an 18 % decline from excellent 2017 results, mainly due to a proportional decline in available, desirable cottage inventory. Lakes Joseph & Rosseau had slight drops in sales volumes, but Lake Muskoka sales were down 22% due to a dearth of Island listings. The average sale price of a "Big Three" property fell by approximately 5% due to a significant drop in sales in the \$3M+ segment.

The 2018 YTD high-end Muskoka Lakes segment saw 26 property sales over \$3 Million, a significant fall from the 41 sold in 2017. Reasons for this decline include: a lack of desirable inventory, exuberant pricing of spec-built projects, and increasing cost of money. The 3 property sales of over \$10M each are indications that the Highest net-worth buyers may be more insulated from current economic uncertainties. The high-end Island segment continued a revival that

began in 2015 after being dormant since 2007. Entire Islands are gaining in popularity, offering the ultimate in privacy & status.

The Lake of Bays-Huntsville area saw 2018 YTD cottage transactions drop by 30% from 2017 results. Inventory levels fell by 20%, no doubt fueling the drop in sales. The average sale price declined slightly as the high-end segment saw fewer cottage sales over \$2 Million each. A sale over \$2 Million is a rarity on the Lake. In my opinion, the demand exists for newer luxurious cottages on Lake of Bays, but the supply is weak and listing prices are often unrealistic.

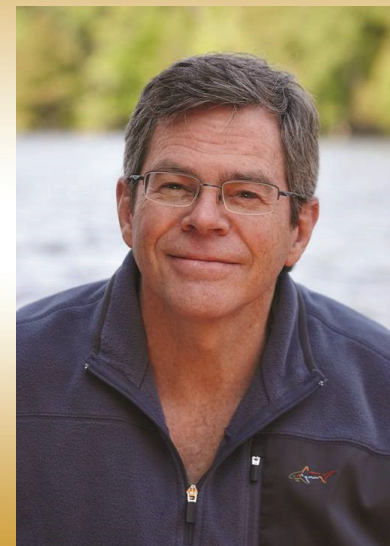
If the 2016-2018 Muskoka market forces of healthy demand & lower supply continue into 2019, expect a slight rise in average sale prices of cottages, fueled by multiple/ competing offers. Properties on Islands and smaller Lakes will also see rises in market activity & values. In Spring 2017 we didn't see the insane buying frenzy & then the dramatic slowdown that some areas of Toronto experienced; we don't have the offshore or investment buyers prevalent in Toronto.

For 2019, expect the active Muskoka market to continue, however the volume of cottage transactions will again be constrained by ongoing inventory shortages. I predict the market segment above \$2 Million will remain buoyant, as the Muskoka region continues to be in favour amongst high net-worth buyers. Exuberant list-pricing will not be successful.

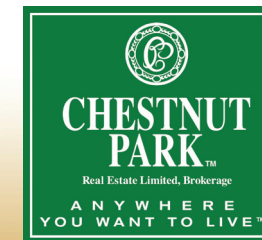
The effect of Donald Trump's Presidency on the Canadian economy remains uncertain, with NAFTA replaced by the USMCA. Our Muskoka cottage market is decidedly influenced by buyer's confidence levels, and in turn by the health of the world's equity markets.

As I predicted, many of my recent buyers have been existing cottagers looking to upgrade to a larger property or different location; they were seeking the "ideal" property and thus didn't make urgent decisions. Expect this trend to continue into 2019 and beyond as baby boomers "mature".

Do you know what your cottage is worth in our evolving 2018-19 market? Call me for a complimentary evaluation without obligation. I currently have qualified clients wishing to purchase cottages and vacant lots on Lakes Rosseau, Joseph, Muskoka, and The Lake of Bays.



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MUSKOKA HAPPENINGS: YEAR END 2018

Chestnut Park is building a new head office in Port Carling. Our old house was torn down in September and work is well underway. Completion of the beautiful "New-Older Muskoka" design is scheduled for Summer 2019.

The Toronto International Boat Show will take place from January 18th to 21st at the Enercare Centre, Exhibition Place.

The 2019 Cottage Life Show will run from March 21st to 24th at the Toronto International Centre.

Please join your local cottage association if you're not already a member. These volunteer groups provide valuable

programs to help you get more enjoyment out of your cottage. Their efforts can boost your property investment.

For Muskoka Lakes cottagers see www.mla.on.ca. For Lake of Bays cottagers go to www.loba.ca

It is my goal to know everything about our Muskoka cottage neighbourhood that affects the value of cottages like yours and mine. The following may advise you as to Muskoka's happenings during the recent months:

Recent Developments & Commercial Real Estate

The most important issue to affect Muskoka cottagers in recent history surfaced in 2017, with ongoing concerns today. Former, and current, Resort properties are being redeveloped as high-density cottage complexes that are skirting their Tourist-Commercial zoning. Buyers of these cottage units are being promised exclusive usage, without having to put their units into a rental pool as required by that zoning.

There are already 2 of these developments under construction; one on the old Tamwood Lodge property on Lake Muskoka comprises 22 cottages ("The Villas"), and the other on the former Lakeside Lodge site on Lake Rosseau in Minett ("Legacy of Lake Rosseau"). "Legacy" plans to build 42 detached cottages on 470 feet of shoreline, with no onsite Resort facilities such as dining room or recreational facilities. Their plan is to build docking for 40+ boats.

These 2 projects are the subject of a hearing before the Local Planning Appeal Tribunal (formerly OMB) which will resume in Bracebridge on April 16-18th, 2019. The results will set precedents for Resort redevelopment across Muskoka.

There are over 80 Resort properties in the District that could be affected by these decisions.

The "Legacy" developer, The Rosseau Group, is suing the Township of Muskoka Lakes for \$22 Million for delaying construction of this contentious project. One of the developers is rumoured to be the "Tim Hortons" franchisee in Port Carling. Cottagers are concerned for reasons of density, boating safety, and the environmental health of the Lakes. Many cottage groups are opposing these developments. For info and to support these groups see www.mla.on.ca and www.loba.ca and www.savemuskoka.ca

A Lake Rosseau cottager has recently bought the lands that include Cleavelands House, the adjacent Wallace Marina, The Rock golf course, and hundreds of surrounding acres of bush. It is hoped that this will result in a lower-density redevelopment than the 3,000 accommodation units allowed under a 2008 OMB decision.