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| Muskoka Waterfront Real Estate Market Update to June 30 2007 |

Investment continues and returns are strong. First half 2007 repeated the pace of units sold from 2005 and slightly behind 2006. Dollar volume is up. Prices grew at an increased rate with much of the up-tick being attributed to new construction. Most construction is now renovation or rebuilding as vacant waterfront is an increasingly rare commodity.

Data from the Township of Muskoka Lakes show that building permit applications are continuing the same as last year. The leading building supply company is reporting record sales in spite of increased "big box" presence in the marketplace. Upscale development is growing.

Although prices on average are up over last year, we have attempted to extract a "real" number exclusive of investment. In answering the question, what is happening to land value, our extrapolation leads us to an adjusted number closer to 14% for "real" annual price increase in land on the Big 3 lakes.

What is the short message? The trend is continuing upwards. Investment is strong. The underlying drivers of this market are expected to continue for the foreseeable future.

Muskoka MLS Sales 2007

To provide greater market insight, we are separating the "Big 3 Lakes" and the smaller lakes in Muskoka. Our goal is to help you understand market differences for making informed choices.

Comments and observations

As in past years, people are willing to pay exceptional prices for exceptional properties. Records were set this spring. In particular there was a sale on Lake Joseph that topped \$7 million and had a \$/ft frontage of almost \$7,000. As well, properties in top shape and need no renovation carry a premium.

Buyers are increasingly knowledgeable and often more particular about their needs. More and more cottages resemble city homes in terms of convenience

Lakes	Type	Av \$/ft frontage	Max\$/ft frontage	Av sale	Max sale
Big 3	Mainland cottage	6,212	14,851	1,545,715	7,050,000
Big 3	Mainland vacant	2,910	4,327	739,143	1,205,000
Big 3	Island	2,556	4,968	1,025,000	4,100,000
total change from '06		+10%	+30%	+10%	+14%
Smaller jewels	Cottage	2,427	5,213	494,000	890,000
Change from '06		-9%	-45%	+14%	-6%

and finish quality as people choose to work from Muskoka rather than brave the commute to the city.

This spring there was an increase in the number of 'quick sales' and sales in competition, the average number of days on market actually fell from 58 to 56 on the Big 3. Properties with poor value propositions (asking price higher than perceived value) languished. For two years running, 17% of listings that sold on the Big 3 were on the market for more than 100 days. Interestingly, their average selling price was below the lake average and not at the top end as some might assume. So it's not necessarily price bracket that drives time on market, but price point.

Smaller Lakes averaged 61 days on the market, a drop from 71 days of last year.

The positive relationship between perceived value and asking price is critical for a timely sale. Asking too much for your property means being prepared to sit and wait.

Muskoka Wharf and Taboo have changed the face of Lake Muskoka and people are now asking for cottages close to Gravenhurst. A number of years ago we undertook a study of values in relation to successful recreational destinations (at that time Lake Joe Club, Rocky Crest, Windermere were included). We saw an up-tick in value of 10-15% for near by property as people wanted to be in close proximity to their recreation of choice. This year we are seeing demand for Gravenhurst and the south end of Lake Muskoka - so the increased numbers may well follow.

2007 Perspective

The year started with a bang. Typically

January and February are a time of re-grouping for us in Muskoka real estate but this year was different. The warmer weather and lack of snow combined to make Muskoka easily accessible. Sales were made.

Put the start aside and our view half way into 2007 is the year is solid. We are achieving numbers equivalent to or better than last year by most indicators.

This year, RE/MAX Muskoka is leading other Port Carling realtors in both market share categories of MLS transactions completed and dollar volume. Our office colleagues are all experiencing a strong 2007 and expect the year to remain that way given the business they are working on now.

Indications are that prices remain strong. We also expect that levels of inventory (property for sale) will remain fairly low. Consequently there may be competition for property as we saw last year.

Because a cottage purchase is discretionary, our clients often ask. "How can I be sure I am making a good investment?"

There are three basic principles that can help achieve a satisfactory outcome. They are: Understand your return criteria; Know the market limits of your property; Remember value is in the land.

We look forward to assisting you in any way we can. Please let us know what questions you may have. We would love to provide you with more information about the Muskoka cottage marketplace and help you make an informed cottage decision.

Happy Cottaging!

*based on mls statistics

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