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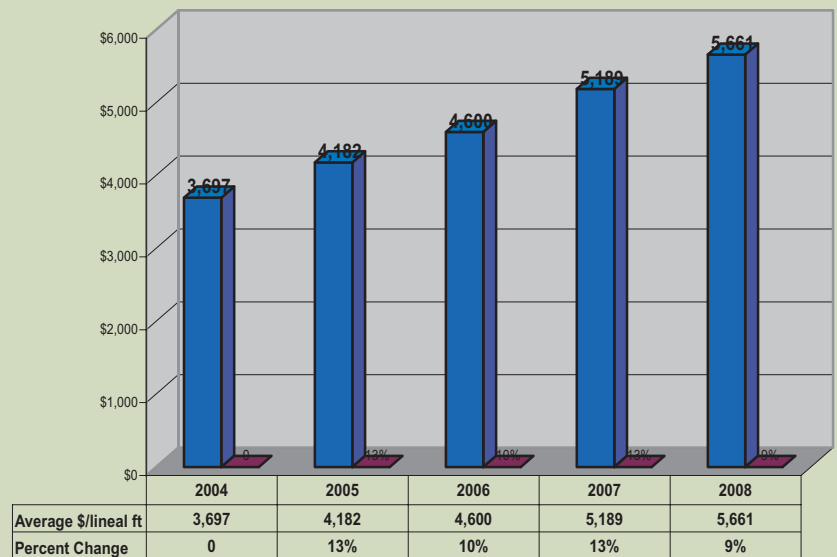
## Muskoka MLS Sales 2008

### Summary:

The number of sales on the Big Three Muskoka Lakes declined about 50% from last year. Dollar volumes are at a level last seen in 2004. On the whole, average prices have moderated only slightly (0.4%) from 2007. There were a few strong sales that exceeded the previous year's levels. 2008 was a year when value became a prime driver as indicated in the rise of \$/ft frontage by 9%. Although 'counter intuitive' this change indicates an increase in the value of the purchase (higher quality buildings or more buildings) than previously on a similar lot. The actual cost of vacant waterfront declined by slightly more than 10%.

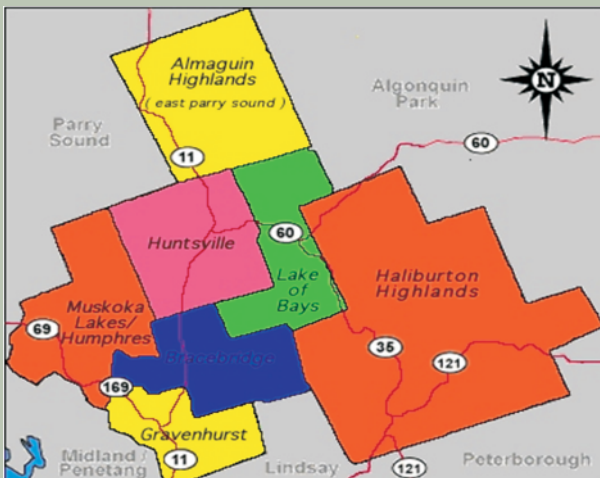
The Big Three story is one of a number from across the Muskoka Haliburton Real Estate Board. This Board covers a large geography; from Georgian Bay to Bancroft and The Kawarthas, from Severn Bridge to the southern border of North Bay. Regional performance was mixed: Haliburton down 9%; Gravenhurst's sales increased in 2008; Almaguin (north of Huntsville) stayed even and, Huntsville and Lake of Bays were off by 5%; The smallest waterfront market segment, Bracebridge, was off about the same as Muskoka Lakes – which represents the Big 3 and several other lakes including Skeleton, Brandy, Leonard, Medora, Bruce and Butterfly.

Average \$ per lineal foot of waterfront change over 5 years  
Lakes Joseph, Rosseau and Muskoka



Throughout 2008 the number of building permits issued was on par last year's level until October, at which point activity declined markedly to year end. Winter building is proceeding and some large projects are underway. Business at lumber yards is off last year's pace and more closely represents levels prior to the rush created by the change in bylaws governing the building of 2 storey boathouses in the Township of Muskoka Lakes.

The short message? The trend of the last few years has changed. On average, prices for Big Three Muskoka property have slipped to late 2006 levels as people buy less expensive property. Smaller lakes and other regions of the Muskoka-Haliburton Real Estate Board are performing better than the Big Three. Sellers are learning to adjust to the 'new reality' of the market while some buyers are cautious and others are hoping for significant price reductions.



## Observations & Comments



Investing in Muskoka is on-going, even as it did during the downturns of the early 80's and early 90's. Building and renovations continue as people look to Muskoka for a year round recreation and retirement.

On the Big 3 in particular, as pace of sales has moderated, the number of days on market has grown. There was plenty of showing activity in 2008. People were still looking for their Muskoka dream. Buyers were spending less money and more time looking than in 2007. Buyers were willing to compromise in size and total dollars spent while actual negotiation happened with less frequency than 2007. When an offer occurred, the likelihood of a deal coming together was less than in previous years because of buyer caution and seller resilience. The process for buyers and sellers became more difficult and frustrating. This dynamic changed the number of days on market. In 2007 the average was 63 days before a sale. In 2008 it moved to over 100 days and higher on the smaller lakes.

People are still willing to pay exceptional prices for great property. Both large and small properties have sold at strong prices. Sales occurred on Lake Joe that topped \$6 Million and

there were sales at over \$7000/ft on the Big 3. There were a number of sales that occurred in days and several properties sold for more than 10% over asking. These events tended to be the exception rather than the rule. However exceptional property, where no compromise is found, is rare in any season.

On the whole buyers were more selective, perhaps even demanding - seeking to reassure themselves they were getting the 'best buy' possible...more bang for their buck.

Some sellers were reluctant to accommodate themselves to the new reality of the market shift. Muskoka has been a "sellers' market" for

the better part of a decade and the adjustment to the buying side was difficult. Last year, more than in the last five years, there was often a gap between what the seller was willing to sell for and what the market was willing to pay. A higher number of deals failed to come together.

Buyers are increasingly knowledgeable and more particular - tending towards caution, they are willing to leave a negotiation unresolved rather than 'belly up to the bar' as previously. The buying mindset often involves reassurance of value and the understanding that the purchase is a 'good deal'.

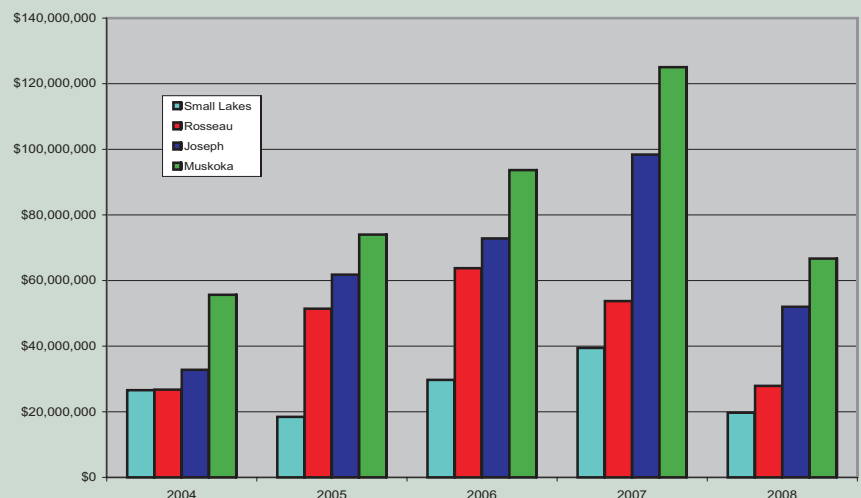
## The way forward — how will Muskoka perform?

There is a positive correlation between average selling price and specific market activity. Typically, the lower the average selling price in an area, the stronger the sales year in relation to 2007. As well, proximity to the GTA was a factor and we saw that impact in Gravenhurst (south Muskoka) where sales in 2008 were stronger than 2007.

Another data point for us is the nature of queries we are receiving. The number of requests and 'hits' we get from people interested in buying a cottage is as robust and strong as in any of the last 4 years. The difference is in the value or budget range that people have. If this holds true, we would expect business on the smaller lakes may be stronger than on the Big Three this year.

Historically, values in Muskoka have been resilient in relation to the equity markets. At the time of writing, the TSX is running 32% behind last year to date. By the same token, we have seen vacant waterfront value decline by about 10% in the last year and, the value of developed land (as measured by \$/waterfront foot achieved) rise by 9% (representing a continuing investment in building).

Waterfront Cottage Sales on Lakes Muskoka, Joseph, Rosseau and Surrounding Small Lakes



We are asked what we expect will happen to value on the Big Three in 2009. History tells us that values will reflect to a lesser degree what the equity markets do. Current thinking is our economy may show zero growth over the year while the US will likely have contracted. An expectation of increased unemployment may be realized, but whether we hit the 10-11% rate of the early 90's is unknown. Should the equity markets decline, Muskoka volume may drop as it did in 2008 while sellers wait for the rebound and prices may slip for those who need to sell.



# Muskoka as an investment

We believe the factors that make Muskoka a reliable investment in turbulent times are:

**Size:** Muskoka is a limited and unique environment. It is not getting bigger as the population of GTA grows in size and wealth;

**Tradition and history:** there are long time family ties with Muskoka that people value. A remarkably high percentage of the member families of Muskoka Lakes Association in 1930 are member families of MLA today;

**Commitment:** although there are speculators in any market, speculation plays a small role in why people come to Muskoka. People primarily choose Muskoka for family, recreation and relaxation and increasingly, retirement. Turnover of property is small in relation to the number of cottages keeping values strong and rental rates high.

Based on past performance, we believe the Muskoka cottage market

will remain a good investment relative to other markets. Muskoka has shown an excellent return over time.

A number of our clients buy and sell in the same year. For those who do so this year, the selling price of their property may be lower, as is the acquisition cost of the new property. There will probably be some excellent buys out there. This may well be the year to move into the market or up to property without compromise.

## Our clients know...we deliver.

We look forward to assisting you in any way we can whether it is selling or buying a Muskoka property. Our lifetime of experience here is at your disposal and we are happy to assist you and your friends and family in any way we can selling, renting or buying. We are presently making a significant investment in unique proprietary technology that will make your cottage search easier and help you reach your target buyers sooner. We look forward to sharing this exciting development with you in the coming weeks.

Happy Cottaging!

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