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Muskoka Lake & Lake of Bays

Performance Report - 2008

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The recreational market place was robust throughout Ontario until the beginning of 2008. Initially the slow market of 2008 was attributed to poor weather conditions, high gas prices (remember them?), and inaccessibility to properties listed for sale. As the weather improved and no longer became a market factor, it became obvious that the marketplace was undergoing a fundamental change. By late August it appeared that sellers had adjusted to the new market reality, and as listing prices were being reduced to match buyer expectations, sales began to take place. Just when we began to feel some optimism that we were returning to a balanced market, equity markets throughout the world began to implode, and with them so did consumer confidence, and buyers of recreational properties for the most part, moved to the side lines, and have remained there throughout the fall of 2008.

We move into 2009 with the following year-end statistics. Sales are down substantially across the Muskoka and Haliburton Association of Realtors, more so in some trading areas and less in others. The overall market showed a decline of 31 percent, from 819 recreational properties reported sold in 2007 and only 566 in 2008. Muskoka Lakes sales have shown the largest negative variances. This is due to the fact that the highest priced properties are located in this trading area. In 2007 the Muskoka Lakes reported 248 recreational properties sold. In 2008 sales declined by almost 47 percent to 128 properties reported sold. The decline in Lake of Bays was more consistent with the overall market place. In 2007 there were 101 reported sales. In 2008 this number decreased to 69, a decrease of approximately 32 percent.

Recreational properties available for sale at the beginning of 2009 are up compared to the same period in 2008. In the Muskoka Lakes available properties have increased by 25 percent, from 88 in January 2008 to 110 in January 2009. In Lake of Bays the number of available properties has also increased, but only by 16 percent, 57 properties at the beginning of 2008 and 66 this year. Over the entire recreational market place the listing inventory is up by 27 percent, from 448 available properties in 2008 to 570 at the beginning of 2009. It should be noted that the increased volumes are not due to an increase in supply. The Muskoka and Haliburton Association reports that in 2008 it processed a total of 7065 new listings. In 2007 it processed 6927, an increase of less than 2 percent. The increased inventory is simply properties that came to the market in 2008 that did not sell.

The above-noted statistics are being reflected in a decrease of recreational property values. Given the unique nature of most recreational properties there simply is not sufficient market data at this time to accurately determine to what level values have decreased. Early indications are that values have decreased by as much as 20 percent compared to the value of properties in 2007. It is unlikely that there will be a sufficient number of sales to make an accurate assessment as to where the Muskoka Lakes and Lake of Bays markets are until the end of June. By then the equity markets and the global liquidity crisis will have stabilized, and with them, recreational and real estate markets will have found their bottom.

Going forward, for those sellers who have their properties on the market or anticipate putting them on the market, the key to sales will be to price ahead of the curve. Failure to do so will result in properties languishing on the market in 2009, as many did in 2008. For buyers, long at the negative end of the market spectrum, it will be an opportunity to purchase recreational real estate at more reasonable prices as sellers adjust to the new market reality.

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