

How the cottage market will be impacted by Canada's reopening

Cottage and second-home business has witnessed a surge since the pandemic began

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As travel restrictions took hold and Canadians found themselves confined to their own provinces during the pandemic, one of the most significant mortgage trends during the past 18 months has been a rise in second-home and cottage purchases in rural areas. Waterfront sales in Ontario's Lakelands region (an area that includes cottage country hotspots such as Muskoka, Lake of Bays and Parry Sound) were up over 275% in April compared to the same month in 2020, according to the Lakelands Association of Realtors, with the median price for waterfront property sales last month having risen by 36.8% – to \$833,500 – compared with July 2020.

Drew Donaldson (pictured), CEO and founder of Toronto-based brokerage Donaldson Capital, told Canadian Mortgage Professional that activity in cottage country remained strong for the company, which has witnessed a surge in interest in second-home mortgages during the pandemic – even opening a satellite office in downtown Muskoka to address demand.

Among the company's high-net-worth clientele, Donaldson said that purchases in rural Ontario had proven a popular option with international travel no longer a possibility.

"Throughout the pandemic as a whole, high-net-worth new cottagers that always flew to Europe or California, and did all these things other than cottage during the summer, came in and said, 'OK, we can't do [that], so we're going to spend our money in cottage country,'" he said.

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"We do mainly Toronto business, but also cottage country and a few other areas, so as people moved out of the city and started to hit the second home market we were well positioned to take advantage of that."

While prices and activity continued their dramatic boom in Ontario's cottage country in the first six months of this year, the trend appears to be moderating.

Sales of waterfront properties in the Lakelands last month were down by nearly 44% from the same period last year, with Lakelands Association of Realtors president Chuck Murney saying that a calmer market was likely to persist in the coming months.

"Sales for non-waterfront and waterfront properties both came back down to earth from last July's unprecedented levels as the trend in moderation continues," he said. "We expect this to persist through the rest of 2021 as we move past the one-year mark of the various record-level sales we saw in the second half of 2020."

Donaldson said that the gradual easing of COVID-19 restrictions in Toronto, coupled with a return to the workplace, would see strong mortgage activity in the city in the coming months – and cooling interest in more rural markets.

"We're predicting a pretty strong fall and spring market in Toronto," he said. "In the smaller towns and cottage country, I think you're going to start seeing a bit of a levelling-off."

“They saw some extremely wild growth increases to around 20-30% year over year, so our assumption is that it’s going to start to fade a little bit; we’re not predicting a crash by any means, but a softening in those markets and a very strong Toronto market.”

The closure of Canada’s international borders, as well as preventing foreign travel by Canadians, has seen immigration numbers plummet since the onset of the pandemic.

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With Canada set to open its borders on September 07 to any travellers who have received a full course of a Government of Canada-approved vaccine, Donaldson said that the resumption of a more normal market would also benefit Toronto over more rural areas.

“There’ll be a tailwind for the Toronto housing market as we re-enter the fall, and in the spring,” he said.

“The more things open back up, the better you’re going to find Toronto real estate, and the softer the smaller towns and cottage country will be.

“I’m not predicting a crash in the small towns and cottages, but it’s been an irrational market with the borders closed, and now that things are getting back to normal, I think you’re going to see a levelling off – with Toronto being rewarded for it.”

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