

By [Deirdre McMurdy](#), March 16, 2010

# The return of cabin-buying fever

**Recreational property markets are back on the beaten track.**



The idea of a retreat, close to nature and away from the pressures of daily, urban life has had an enduring appeal over time and geography. Americans treasure their camps. Russians love their dachas. The Swiss have their chalets. The British have their country houses. Canadians adore their cottages and cabins.

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Despite all the focus on the hot residential real estate market recently, one of the greatest surprises of the recent economic downturn has been the remarkable resilience of the market for recreational properties in Canada — especially those on the water. After a brief lull in late 2008 and the first half of 2009, reports show that the number of sales picked up briskly last summer, even before it became clear that the worst economic news was out.

Now, as the spring real estate season get underway, there's an expectation that cottage sales — and prices — will be back in line with the highs they reached in 2007. The steady improvement in the employment rate has already bolstered consumer confidence, which is a crucial ingredient in the rebound given that the average price of a three-bedroom waterfront property in Canada is \$370,000 to \$600,000.

According to real estate types, a more balanced market has been created because of the cooling down of recreational property prices during the economic crisis and an increase in supply. This has sparked fresh demand among a new, younger generation - one that had been previously shut out by a tight market.

Low interest rates are another obvious spur for buyers. And given that the Bank of Canada has committed to keep rates at historically low levels until mid-2010, there is an exceptional sense of urgency to close transactions before the upward climb begins. (Not that it's going to be a dramatic jolt upward — that would dislocate too many other elements in the economy.)

According to the annual survey of recreational property buyers conducted for realtor Royal LePage in 2009, many Canadians said that they consider a recreational property to be a good long-term investment. That sense was almost certainly sharpened by the ongoing volatility of equity markets and the low interest rates that limit the return on the most secure fixed-income investments.

Specifically, the survey noted that 64 per cent of Canadians view cottage ownership as a sound investment and 55 per cent said they'd be prepared to make a sacrifice — including moving into a smaller principal residence — to buy one and build up equity.

In lifestyle terms, the security hassles and escalating costs of travelling abroad have made the notion of "staycations" more popular.

There's also the fact that Canada's urban centres are growing rapidly in population and size — the most recent census data indicates that an influx of new immigrants to Canada will continue, as is traditional, to settle in Montreal, Toronto and Vancouver, where previous waves of immigrants have already located. That stands to put new pressure on infrastructure at a time when municipal governments are struggling to maintain the aging facilities they have in place.

As a result, the desire to escape from urban centres — and the ideal of relocating from them altogether — is enhanced. And it's also something that, foreseeably, the new arrivals will also embrace as they settle and become prosperous in their new home.

Another demographic shift that is influencing the secondary home market is the transfer of wealth and financial resources from the Baby Boom generation to Generation X (born between 1965 and 1980).

Research conducted for realtor RE/MAX, indicates that almost 75 per cent of Gen Xers would consider purchasing a cottage compared with 40 per cent in 2008.

Of special note is that these buyers are less motivated by the investment value of a second property, but instead focus on its importance as a family retreat and a component of a balanced lifestyle. That trend should only gain momentum as the Baby Boomers continue to age and, in many cases, divest.

One more factor that's contributed to a rebalancing of cottage country real estate is the fact that Americans are no longer much of a factor because of economic woes south of the border and a stronger Canadian dollar. If anything, some of them are trying to take advantage of the currency spread to cash out of the Canadian market.

Although financing a recreational property could be a little tougher in the current environment (there's a diminished chance that banks will let you finance 95 per cent of the value of the deal these days, for example), creative options abound.

It's possible to lever the equity in your principal residence. And if it's going to be used as a rental property at least part of the time, some different considerations apply. Joint purchases with a syndicate of family or friends is also another route and can be structured to contain the impact of capital gains tax.

But then, how do you put a price on a crimson sunset or the call of the loon?