

A Slice of Cottage Country Some people don't need, or want, full ownership

Despite a perceived dip in the market, developers have found ready buyers for some fractional ownership properties

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Trying to accurately capture what is going on in cottage country's fractional-ownership market is much like trying to stuff a cloud into a mason jar: It's hard to get a grip on the darn thing.

With new and resale homes and condos, there are oodles of hard statistics on sales. With fractional-ownership properties (ownership is split among members of a group) all you have to go on is what the sales people for each project tell you and the nature of their jobs makes them brightly optimistic and perhaps with a tendency to spin the truth.

The natural conclusion one might draw is that the current recession is putting a damper on fractional-ownership cottage sales. The men and women I talked with, however, say that is just not so. In fact, they say when the economy dips, buyers look toward fractional ownership more because it is a lot easier on the pocketbook than buying a cottage outright.

They also say a healthy chunk of this year's buyers – some suggest up to 20 per cent – are swapping existing cottages for fractional ownership.

"I have seen statistics that say people with cottages plus a place down south for the winter only use their cottage an average 12 days a year," says Roman Bodnarchuk, who runs a company called N5R.com, which has sold fractional-ownership properties in Canada, the United States and Mexico.

"In tougher times like these, they don't see the sense in keeping both, so they trade the cottage in for a place more suited to the time they will be spending there. That usually means fractional ownership."

The agents also ask: Why should fractional ownership sales not be doing well? Almost all other forms of residential real estate except new condo sales seem to be ticking along nicely. New and resale homes and resale condos are finding eager buyers. The recession has not slowed them appreciably this past summer. So why not fractional-ownership properties?

They do admit the market may be weak for those that are part of a big, expensive resort. But there, it is the business model that is at fault, says Mr. Bodnarchuk.

"Spending \$100-million on a resort that has an eight-week high season doesn't seem to make much sense," he says.

Mr. Bodnarchuk is trying to tap into that sweet spot in the fractionals market with The Rossington, a single, 7,000-square-foot, seven-bedroom cottage on Sucker Lake, near Rosseau, where buyers can take six- or 10-week blocks of time.



One of the three bedroom villas at Touchstone on Lake Muskoka

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There have been no sales yet, but he has just put the property on the market, he says.

Sales people who hold that big developments are due for tough times point to the bankruptcy of the Red Leaves Resort on Lake Rosseau. Granted, Red Leaves was not really a true fractional-ownership deal. Buyers paid for condo hotel rooms and would get nine weeks use a year, with the J.W. Marriott chain of hotels renting their suites out as hotel rooms for the balance of the year and sharing the income generated with the owners.

While the initial sales went reasonably well with 137 suites sold before the bankruptcy, there were still 84 unsold. They went on the block in a one-day court-appointed sale in late August.

"We sold them all in that single day," says Pat Baker of Baker Real Estate Inc., agent for the sale. "I think what drove sales was that people thought they were getting a great deal with prices starting at \$166,000," she says.

Boutique properties – those with only a handful of cottages plus perhaps a central clubhouse with a restaurant and recreational centre – are a different kettle of fish, agents say, especially those that can market to a built-in audience of men and women familiar with the property through summers spent there in the past.

"The first people we approached were past guests," says Tanya Papuga, for the Cottages at Windermere House on Lake Rosseau.

Windermere House, now rebuilt after a fire in 1996, has almost a century of history behind it as a summer resort. When new owners rebuilt it, they also added a dozen three-bedroom fractional-ownership cottages. The first four, which went on sale July 1, are now 50 per cent sold; Windermere is putting another two up for sale to test demand.

Walter Thompson, president of Touchstone on Lake Muskoka, agrees with Ms. Papuga about who constitutes the primary market. He plans to build 88 semi-detached cottages, villas and stacked townhouses on the property, which also includes a clubhouse, recreation facilities and all the bells and whistles you might expect.

He says 33 cottages are complete and 27 have been sold.

"About a third of the buyers to date have been to Lake Muskoka many times and maybe 20 per cent previously owned their own cottages but no longer want the expense or trouble it takes to maintain them," he says.

As for sales, after a slow start this summer, he has sold six units completely, which he says is about what you might expect.

"We have actually done a bit better than last year," he says. "But this season we have the clubhouse completed, which we didn't have last summer."