

Trend alert: millennials are becoming cottage owners.

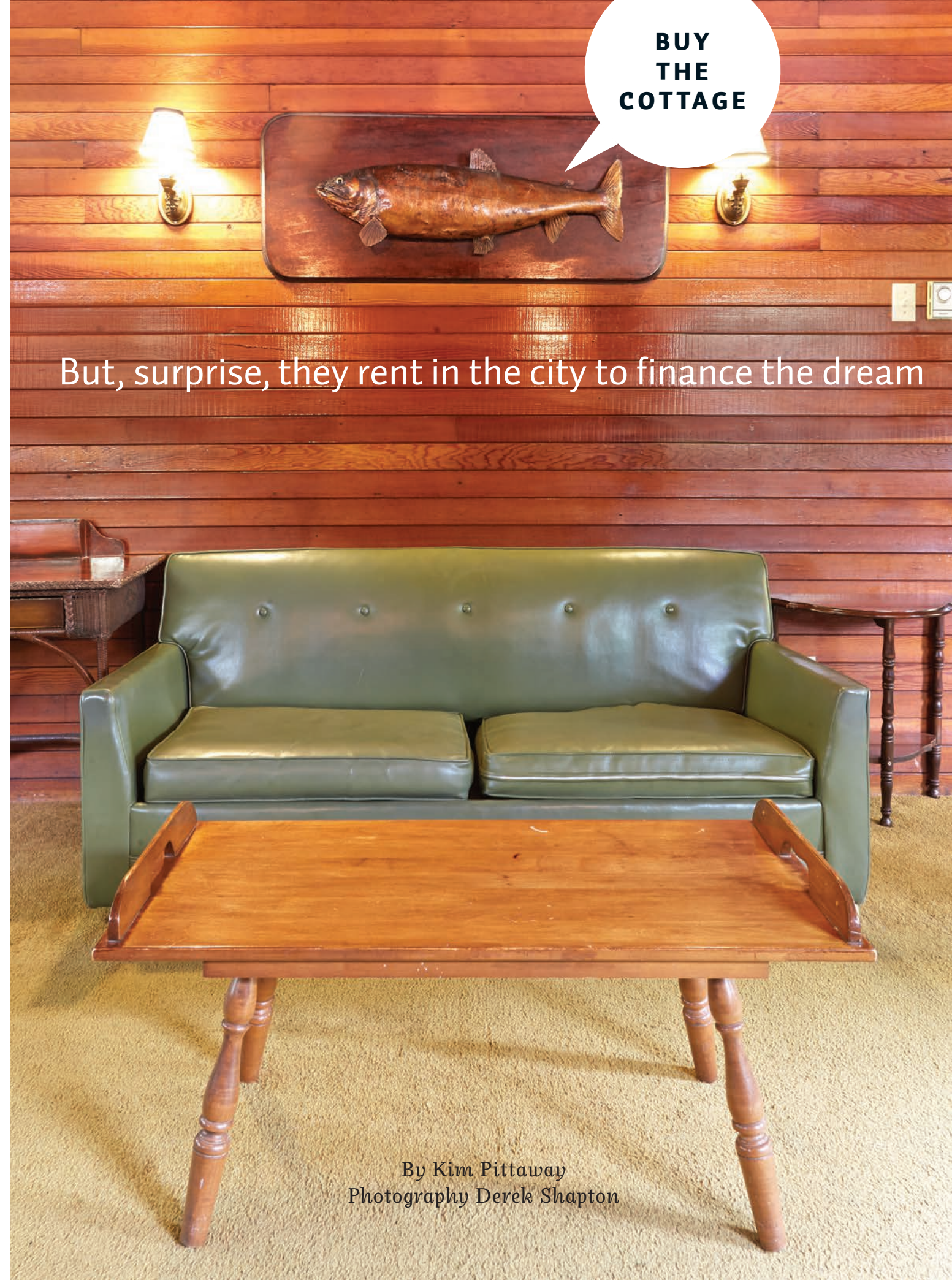
**SKIP  
THE  
HOUSE**

“

Want to buy an island, hahaha?” That’s what Shantel Clark recalls her father-in-law saying when he texted her and her husband, Ian. Ian had grown up cottaging on an island about 30 minutes from Honey Harbour in Ontario’s Georgian Bay. Now, the family that owned the one-acre island next to them was selling.

The text arrived as they were on the way to a family wedding, only a few months after Shantel and Ian’s own wedding. The couple had been thinking about starting to hunt for a house in Toronto, but weren’t very excited about the task. “I knew that whatever we could afford in the city would be something we’d be settling for” is how Shantel puts it. She and Ian figured the best they would do in Toronto would be to get a small starter home or condo, which they would then aim to buy up from before eventually—at some distant date in the future—ending up with a house that would be their “forever home.” And that made anticipating that first property purchase seem more like a grind than a joy. Still, they weren’t thinking of other options until Ian’s father got the email that flipped their property priorities. “Ian’s dad was joking,” she says, “but we were like, maybe yes.”

Even with a recent market softening, the average price of a detached house in Toronto is still more than \$1 million, and in Vancouver, at almost \$3 million, owning a house is beyond the reach of many millennials. “Home ownership has become unattainable in the Lower Mainland of B.C. for a number of years, even for people with very good



But, surprise, they rent in the city to finance the dream

By Kim Pittaway  
Photography Derek Shapton

## Skip the golf membership

“Young people are rejecting ‘keeping up with the Joneses,’ the values of their parents,” says Ross Halloran, the senior vice-president, sales, Sotheby’s International Realty, in Port Carling, Ont. “They want a smaller urban footprint, not a big home in suburbia. And they’ve made a conscious decision to buy where they can appreciate the natural setting with family and friends.” —Blair Eveleigh

**YOUNG BUYERS  
ALSO WANT  
TO BE ONLINE:  
WI-FI IS  
A PRIORITY**



### Island Life

1-bedroom, off-grid 400 sq. ft. cabin on Gossip Island, B.C.; panoramic views, beach, water-access. \$319,000



### Park Central

2-bedroom, 1,040 sq. ft. post-and-beam rancher on Slocan Lake, B.C., near three provincial parks. \$299,000

LISTINGS AND PHOTOS COURTESY: GOSSIP ISLAND, B.C.: HEDI KOTTNER, GALLIANO ISLAND REALTY; SLOCAN LAKE, B.C.: BILL LANDER, COLDWELL BANKER ROSLING REAL ESTATE; INVERMERE, B.C.: GLENN POMEROY, MAXWELL REALTY INVERMERE; SHININGBANK LAKE, ALTA.: ARLIE JESPERSEN, REALTY EXECUTIVES LEADING; PIGEON LAKE, ALTA.: DARCY POWLIK, RE/MAX REAL ESTATE

incomes,” says Al Dubé, a financial advisor with Dubé Insurance and Wealth Advisory Services in Victoria. “But vacation properties can be much more affordable.” When you consider that the average price of recreational properties in Southern Ontario is \$413,000, with waterfront properties on Saltspring and Vancouver Islands clocking in at around half a million dollars, the logic of entering the real estate market via the cottage market becomes clear.

“We could rent in Vancouver more cost-efficiently than we could buy,” says Judith Silverman, and so she and her husband, both in their thirties, shifted their ownership dreams to a vacation property. They bought an \$800,000 vacation condominium townhouse in Whistler in January 2017, while renting a three-bedroom apartment near the UBC campus, where they were both working. “Our place in Whistler is the place that we love,” she says. In addition to their summer vacation, the couple spent as many weekends as they could manage at the property, renting it out for a few weeks to help contribute to their mortgage payments. “It’s the perfect space for us. We can breathe when we’re there.”

While more millennials might be opting for a cottage-first property strategy, they aren’t the first to have done so. The sign on Izumi Miki McGruer’s dock says, Where Dreams Really Do Come True. McGruer and her husband bought the periwinkle ski chalet-style house at Indian Arm on B.C.’s Pacific coast for \$380,000 16 years ago, while still renting in Vancouver. Indian Arm is a steep-sided fjord adjacent to Vancouver, the territory so rugged that it’s virtually inaccessible by road—but it’s just a 30-minute journey by boat from the city’s downtown. “We’d been boaters for a while, but hadn’t thought that buying a boat-accessible property might be an option,” says McGruer. “We were out on the water one day and came around the corner into this place that just took our breath away.” McGruer, the managing

director of Freedom 55 Financial in B.C., sees more and more of her clients opting to use the “ocean road” as a quicker commute out of Vancouver (with some even opting for float planes). While she and her husband eventually did buy a city property, she considers their weekend place their real home, with their city property a place they stay at while working. “Indian Arm is our slice of paradise.”

Meanwhile, in Calgary, where the average price of a detached house is \$560,000, some buyers have a different strategy for their recreational property: make the cottage work overtime. Christopher Vincent, the senior vice-president of sales with Sotheby’s International Realty in Canmore, Alta., sees more clients opting for what might traditionally have been vacation properties, but using them as a year-round home base. “They could be doctors or medical professionals who work in fly-in communities in Northern Manitoba or the Territories, but make a place in Canmore their home base,” he says. Others spend three or four days a week working in Calgary, couch-surfing with friends or staying in hotels, and commute back to Canmore on the weekend. “Because we’ve got great high-speed Internet and good highways, doing that reverse commute into the city can be a great option—and you’re not spending any more time in your car than you might be if you bought in a Calgary suburb and were stuck in that traffic.”

“I knew *this* was going to be our forever place,” says Shantel Clark. Ian had been vacationing at his family’s Georgian Bay island cottage his whole life, and Shantel had fallen in love with the spot as well. They’d visited the island next door for summer cocktail hours and Monopoly games—and now they had the chance to own it. “We didn’t plan for it, but we couldn’t resist it,” says Shantel.

The couple had been saving for a house, but diverted the funds to the cottage down payment instead. Still, the financing didn’t go smoothly. As they made their offer, they thought they had a pre-approved mortgage sorted out, but when the bank realized that the purchase was a seasonal island property, the terms shifted dramatically: “They

## Great deals in the West



### Ski, Swim, Fish

3-bedroom, 818 sq. ft. cabin in Invermere, B.C.; new deck, southern exposure, steps to beach. \$399,000



### Quirky & Serene

2-bedroom, 1,359 sq. ft. log cabin with turret near Shiningbank Lake, Alta.; snowshoe, cross-country ski. \$324,900



### Boater’s Delight

3-bedroom, 571 sq. ft. log cabin on Pigeon Lake, Alta.; dock and boat lift; woodstove, covered deck, basement. \$319,000

asked us for a 50 per cent down payment.” Their realtor quickly connected them to a mortgage broker in cottage country, and they ended up getting a mortgage with 15 per cent down.

That kind of last-minute scramble isn’t uncommon, especially if communication between the lender and borrower hasn’t been crystal clear, says Michelle Drover, the vice-president for Atlantic Canada of Verico Premiere Mortgage Centre in Halifax, N.S. “Mortgage rules have changed a lot in the last couple of years, and there are more factors than ever that can affect what you can get, and what interest rate you’ll pay,” says Drover. There are essentially two levels of mortgage classification: Type A properties, which could be cottage or residential properties, and which have central heating and year-round road access; and Type B properties, which may or may not have central heating and may only have seasonal road access. With a Type A property, you can get a 95 per cent mortgage with a five per cent down payment; Type B properties may be financed up to 90 per cent with as little as 10 per cent down payment. But other factors can come into play in determining the required down payment and your interest rate: a prime location and good future marketability could net you a better interest rate, while needing cottage rental income to help make ends meet could boost your rate. “The lender needs to truly understand what the client is looking to do to give them the best mortgage product,” says Drover. “You want to do it in advance and be absolutely clear.”

And the property has to be insurable, which can be more complicated if you don’t already have a city home insured (though having tenants’ or condo insurance might make it easier). “If it’s your only property, we face limitations on the companies that will insure it,” says Nancy Sharma, a branch manager of the insurance brokerage BrokerLink. Since companies typically bundle vacation

property insurance as an add-on to primary property coverage, you could end up paying a higher rate and have a higher deductible. And if your property is three-season rather than four, both your rate and your deductible could be higher still “because the risk is higher as it could be months without you visiting the property, and a loss could go unnoticed for a longer period of time,” says Sharma. For the Clarks, dealing with a broker in cottage country who understood the ins and outs of island properties was helpful, especially since the property has no fireplace or woodstove, so didn’t require a WETT (Wood Energy Technology Transfer) certificate.

While traditional financing and insurance came together for the Clarks, things didn’t fall as neatly into place for Keith Shiner, whose hunt for his dream cottage didn’t go quite as he’d hoped. “I knew from the time I was 14 or 15 that I would own a cottage before I owned a house,” he says. “I grew up going to my grandparents’ cottage at Lake of Bays, and I just knew that’s what I wanted.”

In his late 20s, Shiner started looking for a fixer-upper on good lakefront within three hours of Toronto, aiming to qualify for a mortgage of around \$110,000. “I quickly found out that my budget didn’t align with my desires,” he says. Then he noticed lots being sold around Miskwabi Lake in Haliburton. It was 1999, and the initial development opened up 50 lots, with municipally maintained roads. “The first time I drove in, the roads were still being built. I hiked across the lots, and as I looked at the orange stakes, through the trees to the water, I could envision the cottage. It was just beautiful: a quiet, clean lake surrounded by forest.”

The lot he wanted was three acres on a point, 420 feet of shoreline. The price? \$75,000 including tax. Shiner thought it would be an excellent investment—but he couldn’t convince the local bank manager of that. Rather than pay a higher interest rate (around 13 per cent), to pay the deposit Shiner got some quick cash with his credit card and then a line of credit (at four per cent), with his father co-signing. Shiner had the land, but a cottage was still a dream. “My initial investments were a shed, an outhouse,

## Quiet or close to the action?



### Bargain Near the City

3-bedroom, 768 sq. ft. cabin 35 minutes from Saskatoon on Blackstrap Lake, Sask., in resort village. \$134,900



### Water-Access Getaway

2-bedroom, 1,000 sq. ft. cabin in Rainy Lake, Ont.; woodstove, southern exposure, sandy beach, boathouse. \$150,000



### Shady & Private

3-bedroom, 1,200 sq. ft. Viceroy in Grand Bend, Ont.; secluded but near sandy beach and nightlife. \$320,000

LISTINGS AND PHOTOS COURTESY: BLACKSTRAP LAKE, SASK.: MIKE BOYCHUK, ROYAL LEPAGE HALLMARK; RAINY LAKE, ONT.: CHAD JACK, CENTURY 21 REYNARD REAL ESTATE; GRAND BEND, ONT.: DOUG PEDLAR, RE/MAX BLUEWATER REALTY

**KEEP YOUR EYE ON COSTS AND PLAN FOR THE UNEXPECTED**

## Is a cottage-first strategy for you?

As with any real estate buy, be realistic about the total costs of your cottage purchase, and watch out for what Laurie Stephenson, a financial planner with Starboard Wealth Planners in Halifax, calls “city mouse surprises”: “Especially on first properties, people underestimate the costs of keeping the property together, and in the country, where you may have a septic system or a well, it can be a whole new, very expensive world,” she says. Renting the cottage can help with costs—but also comes with the

work of advertising, management, and cleaning, plus higher insurance fees. Plan for the worst, says Stephenson, or for the not-quite-best. That means making sure you could still carry the property even with a one or two per cent interest rate hike. If you lost your job or had a health crisis, could you move to the cottage full-time to cut costs? How fast could you sell if you had to get out? “Buy less than what you can afford, so that if your circumstances change for the worse, you don’t have to sell at a fire-sale price,” she says. And don’t believe

anyone who says your cottage property is guaranteed to go up in value. “I had a client whose agent told her she was guaranteed a 15 per cent annual return based on past price increases—but no one can guarantee that,” she says.

If it’s your only property and you commute there regularly, you could claim your cabin as your principal residence (to avoid capital gains taxes when you do decide to sell)—but consult an accountant to be sure you don’t run afoul of Canada Revenue Agency rules. —K.P.





**MOM & DAD  
ARE IN THE  
MARKET TOO.  
BIDDING  
WAR!**

### Know your market

Millennials looking for a recreational property are competing against another cohort: their parents. Baby boomers reaching or nearing retirement age are buying up choice places in cottage country. “It’s been happening for a few years now,” says Doug Pedlar, the broker of record at Re/Max Bluewater Realty in Grand Bend, Ont. “They want to get the heck out of the city.” And those boomers are taking advantage of the relatively higher prices they are able to get for their city

homes, in turn contributing to rising prices on cottage properties. “A cottage here that was priced at \$200,000 or \$250,000 a few years ago now gets listed at \$300,000,” says Pedlar. Ann Chiasson, of Re/Max Sea to Sky Real Estate in Whistler, B.C., sees this trend in her area as well. “They’re taking their city equity and buying grandkid catchers,” she says, especially in nearby Squamish, with its hospital and ample recreational facilities. —B.E.



**Quaint with Acreage**  
2-bedroom, 735 sq. ft. winterized cabin with 196 acres in Carling, Ont.; Crown land on three sides; sauna, woodstove. \$285,000



**Big Lake View**  
3-bedroom, 600 sq. ft. cottage on Paudash Lake, Ont.; west-facing, new dock, screened porch, well. \$375,000

### River, lake, or ocean view?



**On the Riverfront**  
2-bedroom, 800 sq. ft. cottage on Trent River, Ont.; deck, bunkie, stone fireplace, large deep lot. \$369,900



**Close to the Capital**  
1-bedroom, 928 sq. ft. off-grid cabin on Toote Lake near Thorne, Que., 90 minutes from Ottawa. \$225,000



**Oceanside New Build**  
1-bedroom, 900 sq. ft. cabin in Deep Cove, N.S., near Halifax; woodstove, cedar deck, loft bedroom. \$189,000

LISTINGS AND PHOTOS COURTESY: CARLING, ONT.: ROSS HALLORAN; SOTHEBY'S INTERNATIONAL REALTY CANADA; PAUDASH LAKE, ONT.: JOSEY VOGELS; CENTURY 21 ALL SEASONS REALTY; TRENT RIVER, ONT.: GREG BALL; BALL REAL ESTATE; THORNE, QUE.: STEPHEN LYNOTT; CENTURY 21 MACINTYRE; DEEP COVE, N.S.: GABE ROUTHIER; INTERHABS

a tent platform, a dock, and a second-hand boat,” he says. “It was glorified camping for the first few years.”

The first 10 years, to be precise, during which he paid off the line of credit, diverting his RSP contribution to pay it down. “I was confident the land would increase in value as much or more than my RSP would,” he says. “I was lucky that that turned out to be true.” (He adds: “You can’t swim in a mutual fund.”) By then Shiner had met his future wife, now Meaghan Phillips-Shiner. They camped on the land, and when they decided to get married, Shiner made what he thought was an audacious suggestion: “We should build a cottage before we buy a house,” I said. And to my surprise, she said that was a great idea.” The couple knew it would mean compromising on what they could expect to buy in the city, “but my wife was all in—she said, we’ll be raising our family up there, and that’s where she’d rather put the money.”

In 2011, they broke ground. By 2012, their bungalow-style year-round cottage was ready. For the first five years, they used it for just two weeks in the summer and rented it out for seven to help cover their \$400,000 mortgage. During that time, they also bought a city home, but the cottage is still the family’s focal point: “This magical place far outweighs any concessions we made on our city house.” They spend Christmas and every other weekend in the winter there, and for the last two years, they’ve expanded their summer stays to three weeks.

While they didn’t use equity from the cottage to help finance the house, the cottage was an asset on their balance sheet, which Shiner says helped in landing their city mortgage. “If you have enough equity—more than 20 per cent—in a cottage,” says Dover, “you can use that to help finance the down payment on a new primary residence in the city.” But while the financial equation worked out well for Shiner and his family, not every buyer can count on that. A vacation property isn’t necessarily going to increase in value at the same rate that a city home might, for instance, says Tom Davidoff, an economist at UBC’s Sauder School of Business. “In places like Toronto and

Vancouver, if you’re locked out of buying in the city, it could look like it makes sense to buy a vacation property so that you have some real estate in your portfolio. But a home in Kelowna isn’t the same kind of investment as a home in Vancouver, so it’s not a terribly effective way to hedge the market,” says Davidoff. Still, the decision to buy a property, whether in the city or not—like many decisions that have economic impact on our lives—isn’t always a strictly rational one, Davidoff acknowledges.

“We just love our rock,” says Shantel of their one-acre island. It’s a 30-minute boat ride from Honey Harbour and a football-throw from Ian’s family’s island. “Our two dogs can swim it.” There’s a main cottage of about 1,000 square feet with one bedroom, and a smaller cabin that they’ve reconfigured into two bedrooms and a living room. The property initially had three bathrooms: one out-house, one composting toilet, and one regular toilet. “We sold the composting toilet on Kijiji for \$450,” says Shantel, and they reinvested that money in their renovations. “We ask ourselves what can we sell, repurpose, and reinvest? For instance, we sold some old boat bench seats that were on the property and used the money to buy a couple of cans of paint,” says Shantel.

The fact that the couple are still renting in the city also makes the financial burden of the cottage easier to carry. “We know what the fixed cost of renting is, and there are no surprises, so anything extra we have can go into the cottage,” she says. “We’ve shifted our mindset on buying in the city. We don’t feel pressure to buy anymore. We’ve got roots, something that’s ours: the cottage.”

*Kim Pittaway teaches creative non-fiction at University of King’s College in Halifax.*

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