

# Increase to capital gains tax will cause a flood in the cottage market: Muskoka realtor

Whitney Keunen, BNN Bloomberg

Changes to the capital gains inclusion rate announced in the federal budget last week could be a catalyst for a correction in the cottages and recreational property market as owners weigh their options, says one Muskoka-based realtor.

The new tax rates, set to be in force as of June 25, will **increase the inclusion rate on capital gains** (<https://www.bnnbloomberg.ca/canada-hikes-capital-gains-tax-to-raise-billions-for-housing-1.2059865>) from any sale from 50 per cent above the first \$250,000 to 66 per cent.

That change will have significant implications for cottage owners. Many have seen the value of their properties skyrocket in recent years, which could cause them to kick the tires and sell before the higher tax rules kick in.

"People are trying to beat that timeline, we have seen a lot of new listings since the announcement, with more and more coming online every day," says Fincham, a broker with Re/Max Parry Sound Muskoka Realty, in an interview with BNN Bloomberg.

The Ontario cottage market has seen a correction since the pandemic, with significant discounts on prices and sales volume plummeting over the past year. Fincham says with an already saturated market and weak demand the Ontario market is already down by around 25 per cent, and we could see it drop by another five per cent by the third quarter of 2024

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Fincham says the proposed changes will not only impact real estate transactions but also estate planning, affecting how families manage their assets.

"I am getting a lot of calls, mostly from people trying to keep [cottages] in the family," he said. "Multigenerational cottages are the biggest challenge, there is a lot of exposure from a capital gains perspective."

Many families will need to re-evaluate their plans for handing down cottages, he says, adding that his advice for owners is to get valuations done now and take the numbers to their accountant.

Fincham says we could start to see many properties being transferred as a result, both through regular market transactions and through private, off-market arrangements within families.

When it comes to the cottage market he says that amid the current interest rate environment, pandemic buyers regret and baby boomers looking to sell, the listing volume has already more than doubled last year, and that was before the tax announcement.

Fincham says the amount of time that cottages are sitting on the market has already doubled but could go higher, still.

He thinks the new tax rules could be the catalyst for a major correction. "The level of concern that this could be the last straw for a serious correction, not just with cottages, is very high," he said.