

MATT MCKEEVER



THE ULTIMATE GUIDE TO BUYING A COTTAGE IN CANADA

HOW TO
QUALIFY
FOR THE
MORTGAGE

*Find out why only 8% of Canadians own
a second home even though 40% want one*



IN THIS EGUIDE

*we'll learn the implications of
owning a second property
we share the secrets to renting
out your cottage stress free*

THE ►►►►►
EIGHT STEP
BUYING GUIDE

IT'S
EVERYTHING
YOU NEED
TO KNOW



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Common Cottage & Recreational Property Terms:

Seasonal Road: This usually refers to a road that is not maintained (plowed in the winter).

Winterized Property: Sometimes called a 4 seasons property, indicating that a property can be lived in year round.

Potable water: Potable water is water that is considered safe to drink

Septic system: A tank, typically underground, in which sewage is collected and allowed to decompose through bacterial activity before draining by means of a leaching field.

Shore Road Allowance: A public highway as defined by the municipal act that is located along the shore of a navigable waterway. Every 1,000 acres of land is bound on all 4 sides with a 66' foot road allowance and most of our lakes also have an allowance for road measured back from the original shore. To purchase the shore road allowance from the municipality there needs to be a road closing bylaw, which is a public process. There is a fee paid to the municipality to purchase the allowance. Different municipalities may charge different fees for the road closing by law process.



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Things to Know Before Buying a Cottage

(and that we'll explain in this guide)

1. Access:

How do you access the property? Is it accessed via a year round road, seasonal road or water only access?

2. Winterized or 4 Seasons:

Can the property be used year round or only during the warmer months?

3. Water:

What is the water service to the property like and does it have potable water?

4. Cost and type of utilities:

Does the property have natural gas, propane, wood or electric heat - the cost and effort will vary dramatically. What about electricity - is it on or off grid?

5. Local amenities:

Where are the nearest grocery stores and hospital?

6. Waste management:

Does the property have a sewer connection or a septic system? How is garbage handled?

7. Rent-ability:

Can the property be rented out? Are there any restrictions?

8. Other costs:

What is the total maintenance and operational costs?

9. Your goals:

Make sure you understand what your priorities and goals are with buying a property.

10. Your budget:

Make sure you have a realistic budget going into cottage shopping.



STEP ONE:

Determine Your List of Needs, Wants & Bonuses



Vacation Property Buying Process

Questions to Ask Yourself

Will you be hosting extended family, friends or renters? How many?

Do you want to be connected or completely off grid?

What level of modern convenience do you need?

Is a lack of indoor plumbing, electricity, Internet a deal breaker?

Do you want seclusion or community?

Do you need a waterfront property with a dock and a boathouse?



Common Motivations & Structure for Buying a Vacation Property

Individuals are motivated for a variety of reasons to want a vacation or recreational property. Most often these motivations can be categorized into a few categories:

- **Pure personal use**
- **Part rental, part personal**
- **Pure rental**
- **Appreciation or speculation play**

It's important to know what you need versus what you want when it comes to buying a cottage or vacation property.



Example Needs, Wants & Bonuses List

NEEDS

are non-negotiable must haves when looking for your property.



WANTS

are important and will sway you in cases where there are multiple properties meeting your needs.



BONUSES

are just that, things you'll keep an eye out for, but are very low on the priorities list



Recreational Property Trends



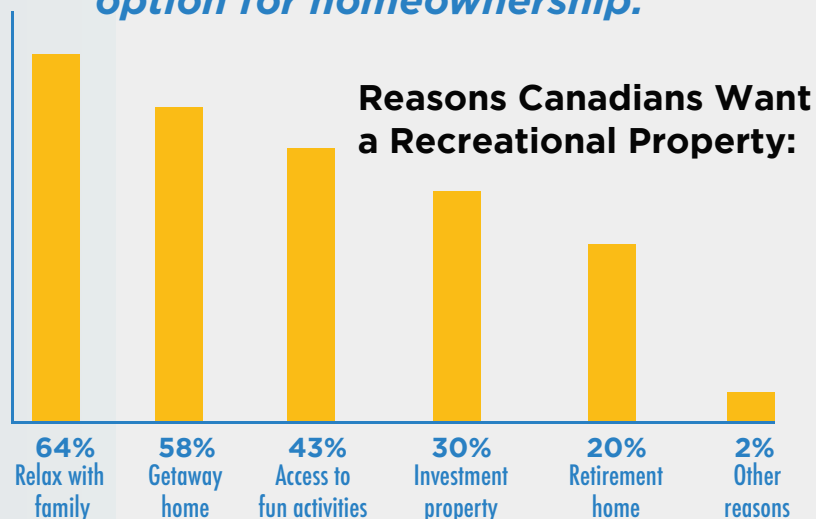
RE/MAX in 2019 completed a Cabin & Cottage Trends Survey in Canada and found the following among Canadians.

40% of Canadians are in the market for a recreational property. 56% of millennials are in the market

"We are finally witnessing the long-anticipated generational shift of purchasing power from Baby Boomers to Millennials,"

says Christopher Alexander, Executive Vice President, RE/MAX of Ontario-Atlantic Canada.

"With the high cost of urban living taking many young homebuyers out of those markets, more Millennials are turning to recreational properties as a viable option for homeownership."



Acceptable Commute Times

54% are willing to commute up to 2 hours

22% are willing to commute 2 hours

22% are willing to travel 3 or more hours



Important Buying Considerations

61% Affordable Purchase Price

46% Reasonable Maintenance Costs

45% Waterfront Access

44% Proximity to Town

35% Reasonable Commute

28% Relative Seclusion

24% Land Access

24% Proximity to Sports/Recreation

7% Island Property

**MORE THINGS
YOU SHOULD
KNOW BEFORE
BUYING YOUR
RECREATIONAL
PROPERTY.**





STEP TWO:

Confirm Budget Range

Financing your Cottage

It's important to understand what your budget is, before you go cottage or vacation property shopping. The best way to determine your budget, assuming you're not buying in cash is to talk to a few mortgage agents and go through the pre-approval process with at least one of them.

Pre-Approval Process

A pre-approval is when a potential mortgage lender looks at your finances to determine the maximum mortgage amount that you qualify for and what interest rate various lenders will charge you.

With a pre-approval, you can:

Know the maximum amount of a mortgage you could qualify for.

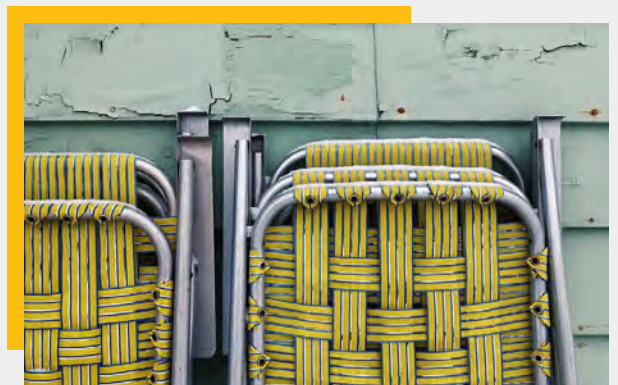
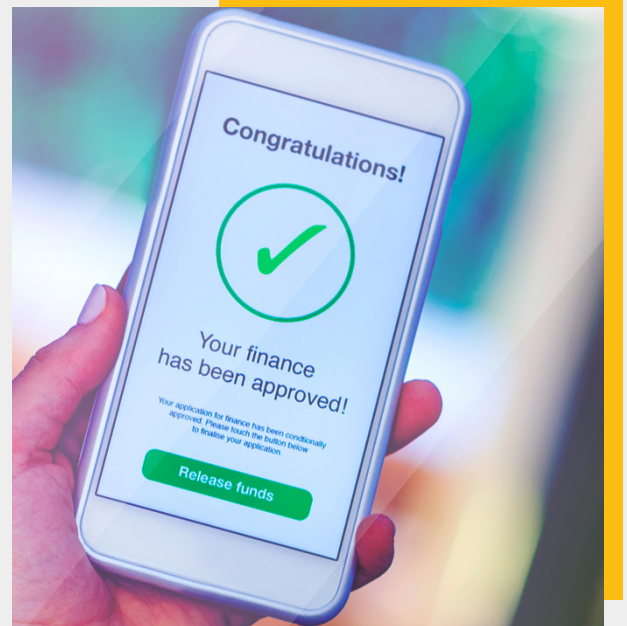
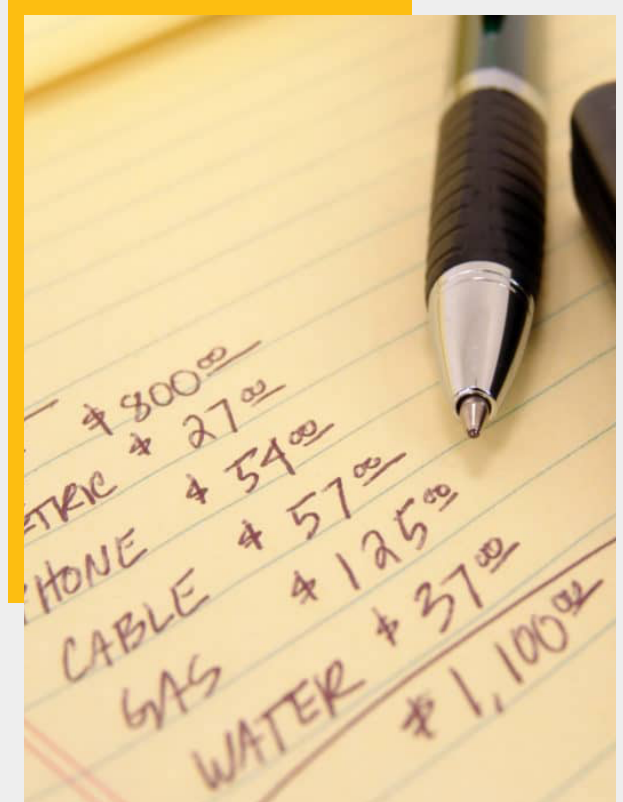
Estimate your mortgage payments.

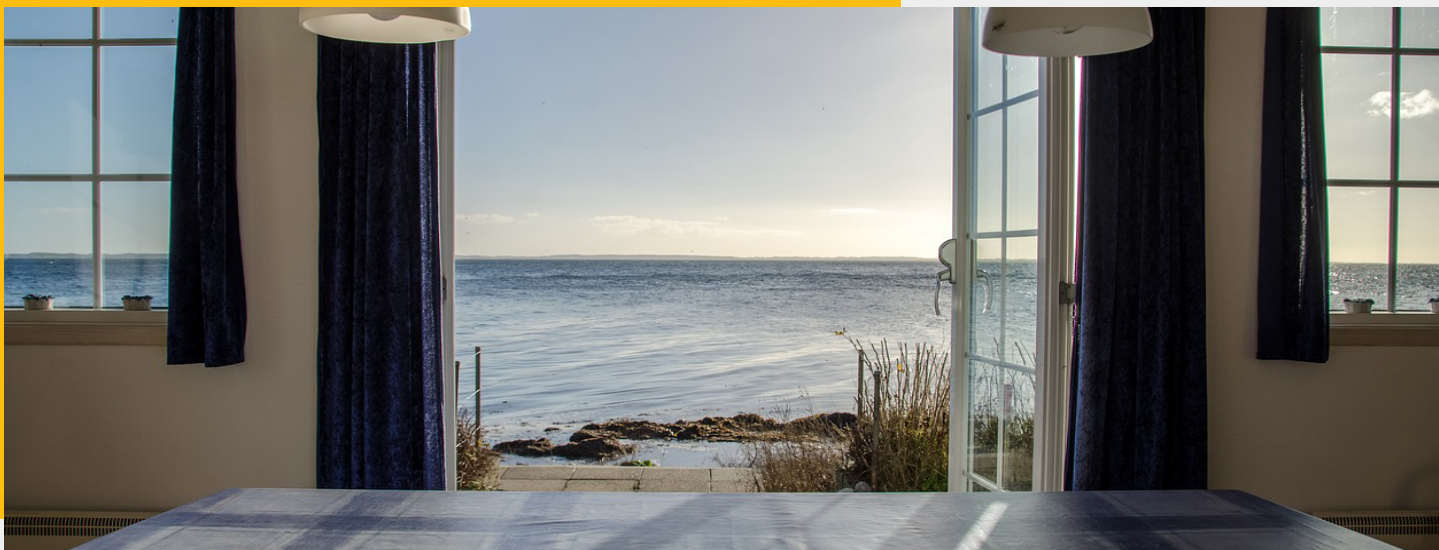
Lock in an interest rate for 60 to 120 days, depending on the lender.

The pre-approval amount is the maximum you may get. It does not guarantee that you'll get a mortgage loan or that the loan will be for that amount.

Remember that you'll also need Money for:

- **Closing costs**
- **Moving costs**
- **Ongoing maintenance costs**





Prior to pre-approving you, a lender will look at your current assets (what you own), your income and your current level of debt.

You'll need to provide your lender or mortgage broker with the following:

- *identification*
- *proof of employment*
- *proof you can pay for the down payment and closing costs*
- *information about your other assets, such as a car, another cottage or boat*
- *information about your debts or financial obligations*

For proof of employment, your lender or mortgage broker may ask you to provide:

- *proof of current salary or hourly pay rate (for example, a current pay stub and a letter from your employer)*
- *your position and length of time with the organization*
- *Notices of Assessment from the Canada Revenue Agency for the past two years, if you're self-employed*

For proof you can pay the down payment, your lender or mortgage broker may ask you to provide recent financial statements from bank accounts or investments.

Your debts or financial obligations may include:

- *credit card balances and limits, including those on -store credit cards*
- *child or spousal support amounts*
- *car loans or leases*
- *lines of credit*
- *student loans*
- *other loans*



Approaches to Financing

There are two ways to finance your cottage purchase:

Refinance your existing house and use the equity to buy the cottage outright. An existing property in your portfolio is a good place to look for when financing a cottage. For example, if you've built up some equity, you may be able to utilize that available equity to finance the purchase of your cottage.

Arrange for a mortgage on the cottage property itself.

Depending on your qualification you may be able to purchase with an insured mortgage product.

Saved funds and ETO can be used as sources of down payment

How Lenders View Vacation & Recreation Properties

Not every vacation property is created equally. The following are the three buckets or categories that many lenders place vacation properties into when looking to finance them.



Type A: Permanent foundations installed below the frost line with year round access to the property and has potable water provided by a municipal service or a well and a permanent source of heat.

Type B: Three seasons (lacks proper insulation and permanent heat source). Lenders may require a larger down payment than Type A and the interest rate may be less favorable.

Type C: Leased land property or fractional ownership. Fewer lenders will lend on this type of property and you may be required to put down a larger down payment and will likely have a higher interest rate than Type A or B.





The following section is provided by **Josh Findlay & Ehren Laycock** from the **Findlay Mortgage Team**. For more information reach out to them at www.findlaimortgage.com

Cottage Financing Deep Dive

Type A Financing AKA Second Home Defining Type A Cottage & Recreational Properties: 'Second Home'. 5-35% Down Payment

- *Has a full foundation above the frost line*
- *Includes concrete block*
- *Preserved wood foundations*
- *Post / pier foundation on solid bedrock*
- *Are fully winterized / 4 season dwellings.*
- *Are accessible by municipally plowed road/ year-round access.*
- *Is located in an area with demonstrated, reasonable resale demand.*
- *The property is in good condition.*
- *Estimated remaining life of the building should be at least 25 years*
- *Property must be owner-occupied or occupied by an immediate family member*
- *To qualify for an insured mortgage product the purchase price must be under \$1M*
- *Maximum insured loan amount is \$750,000.00*
- *Property must have a kitchen, 3-piece bathroom, bedroom, and common area (Insured)*
- *Privately serviced roads are allowed as long as there is a maintenance contract in place*
- *Requires a permanent heat source*
- *Well / municipal service / Cistern can be*

- used, must be drinkable*
- *Main source of water can be lake water as long as there is a filtration system*
- *Must have electrical power*

Type A cottages are more or less second homes, they can be purchased with an insured mortgage with as little as 5% down. If you are purchasing a cottage with mortgage insurance the property is going to need to be winterized and have all year road access. Because it is an insured property the lender and mortgage insurance company will need to review and accept the condition of the property.

Type B Financing AKA Vacation Home Defining Type B Cottage & Recreational Properties: 'Vacation Home'. 5-35% Down Payment

- *May have a floating foundation*
- *Seasonal road servicing is acceptable*
- *Water does not need to be potable but must have running water*
- *Property is not winterized / no permanent heat source required*
- *Property does not have year-round access.*
- *This is more "original" cottage*
- *Maximum insured loan amount is \$350,000.00*
- *Can be purchased using the "purchase plus improvements" program*

These types of properties can also be insured under the "second home program". Type B properties usually require between 5-35% down payment depending on the condition of the property. These kinds of properties include secluded and highly rural properties, islands, and other properties that do not allow for all year access. Type B properties are usually thought of as "original cottages" that are not fully winterized and can not be inhabited all year round.

Types of Lenders on Vacation & Recreational Properties

Local Credit Unions

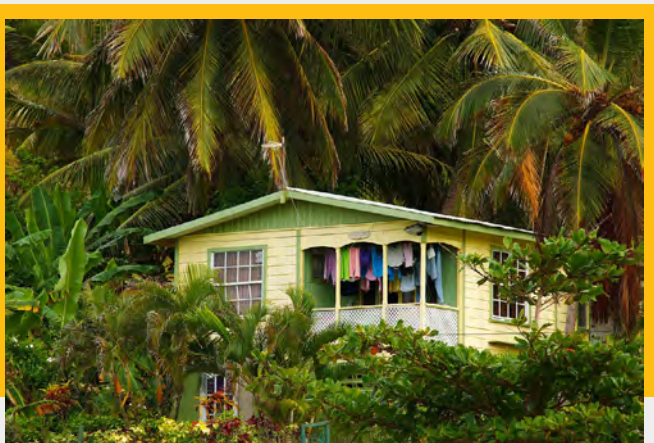
These types of lenders are location specific and will have a deeper understanding of the geography and value of cottages in the area. They are a good source for financing if you are not able to qualify with a large bank. Credit unions can offer alternative lending terms because their funds are often sourced internally from its members.

Big 5 Banks

These financial institutions offer the most competitive rates in the market. If you have a current mortgage with the bank you may be able to leverage the equity in your home to help with your next purchase. Most of these institutions offer a net worth program which can help with sourcing a down payment. These banks can also offer insured mortgage products which will allow you to purchase a secondary home with less than 20% down payment.

Private Lenders

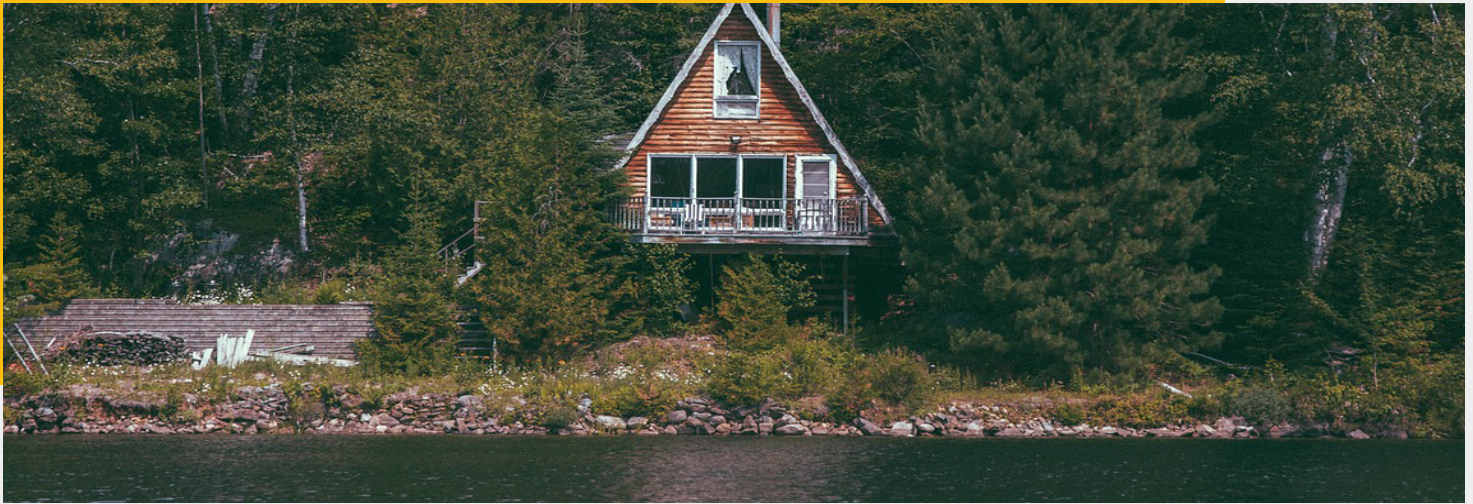
These are equity-based lenders who lend off of the value. An investor may use this option when purchasing a property in poor condition. Most private lenders will scale their down payment higher due to the perceived higher risk of cottages.



Seller Financing

Vendor take back (VTB) mortgages are more common with cottages and recreational properties for a variety of reasons, including:

- Higher rates of equity (often due to longer period of ownership, or less common to refinance these properties)
- Less urgent use of funds (often the sellers may not have an immediate use for all of the cash they receive from the sale)
- Capital gains deferral (speak to a qualified accountant to learn more)



Understanding the True Cost of Buying a Vacation Property

- Cost of Purchasing the Property
- Purchase Price
- Land Transfer Taxes
- Legal Fees
- Cost for Furniture & Toys
- Boats, Ski-do's, Canoes etc
- Floating Dock, Trampoline etc
- ATV, Mountain Bikes etc
- Interior Furniture
- Exterior Furniture
- BBQ & Fire Pit
- Monthly Operating Costs
- Mortgage Payment
- Property Taxes
- Insurance
- Utilities
- Satellite/Internet
- Regular Maintenance (snow, grass)
- Seasonal or Annual Maintenance (Septic, Well, Winterizing)

Tips for Buying on Budget:

- Shop in the fall and winter
- Waterview is cheaper than waterfront
- Short commutes = higher prices; look in areas 2+ hour commute from major cities
- Water access only properties are cheaper
- Winterized or year round properties are more expensive than 3 seasons
- Riverfront is cheaper than lakefront
- Fixer upper will be more affordable than a turnkey property
- Bigger the lake the higher the price (typically)
- Waterfront properties on lakes that don't allow motorboats

Fractional Ownership of Vacation Properties

Concept: Developer or resort builds the property. Ownership is divided into shares. Each share entitles the holder to a certain number of weeks per year. In Canada, it's common for a cottage to be divided into 10 shares. Usually, each share entitles the holder to 1 week during the peak summer season and 4 weeks in the off-season.

✓ Pro's of Fractional Ownership ✓	✗ Con's of Fractional Ownership ✗
Cheaper	Not mortgage friendly (financing will be difficult)
Often has an additional resort like amenities	Limited access and very structured ownership
You own it, unlike a timeshare	More rules than owning a cottage by yourself
Lower commitment than owning a whole cottage	Resale value is normally difficult to determine



Canadian Tax Considerations of Owning A Recreational Property



*From Mithulan Perinpanayagam CPA, CA
from GalleonCPA.ca*

If a Canadian resident is considering selling off their recreational property, such as a vacation house, cottage, or other similar secondary property, the following tax points should be kept in mind:

1. Principal Residence & Secondary Residence (Recreational PropertyCottage):

According to the Canadian tax rules, a principal residence can be a house, apartment or cottage that is occupied by the owner, or by his/her spouse, domestic partner or children. If a portion of the home is used for business or rental, then only the portion used personally qualifies as a principal residence. A person may only designate one residence as his principal residence for any given year.

Recreational properties and/or cottages that are only used for short durations during a year, may still qualify as a 'principal residence' if the residence was solely purchased for vacation purposes and not to earn income.

2. Capital Gains Tax on Sale of Recreational Property:

When a cottage is sold, tax is payable on any capital gain, less any principal residence exemption. If there is a capital loss, the

loss is not deductible, because losses on personal-use property are not deductible except for listed personal property (LPP) losses, which may only be deducted from LPP gains. Real estate is not considered LPP.

It is important to keep a record of the adjusted cost base of both the primary home and the cottage, to be used to calculate the gain on sale, because the principal residence exemption could apply to either property. Be sure to keep receipts not only for the purchase of the property but any improvements that have been made such as a deck, fence, etc.

3. Claiming Principal Residence Exemption for the Recreational or Vacation Property:

The taxpayer is required to report the capital gains from the sale of the property on their annual income tax return in the year of sale along with filing a Schedule-3 to report the capital gain. If the property does not qualify or is not designated as a principal residence for all the years it was owned, filing the Form T2091 is mandatory to designate the property as a principal residence.

4. Gifting the Vacation or Recreational

Property: Parents often wish to gift their vacation/recreational property to their children. Property owners should be aware that if they transfer the property to their children, it would be subject to immediate capital gains tax on any changes in the current fair market value of the asset and the adjusted cost basis. However, transferring to the spouse or common-law partner, while alive or upon death is considered as a roll-over of an asset at its adjusted cost basis with no reportable capital gains.



STEP THREE:

**Review of Existing
Inventory & Learn
Local Market**



Learn the Local Market

TIPS:

- Find local Facebook Groups
- Find a local cottage or homeowner association and join
- Contact local realtors and ask for referrals from your network

You should consider visiting the lake after the spring thaw, which is likely the yearly high water level, as well as in the late summer when water levels are likely to be at their yearly low water level.

#Pro Tip: Consider renting a cottage in your target market and visit the local amenities and speak to the neighbours. Be sure to find out if the lake has any algae issues or what the shore is like at low water levels.

Depending upon the lake and season your shoreline experience may vary dramatically. In low season the shore may be rocky or overgrown with weeds and leave the dock impractical to use. Also, be sure to learn what road conditions are like in winter if you plan to use the property year round.

Finding the Right Realtor

When it comes to buying a cottage or recreational property you want a local expert to guide you through the process. We believe the perfect realtor will be able to meet the following requirements:

- ✓ Be able to explain to you which local lakes are most desirable and which have algae problems. (Reminder: you're paying for their expertise, make the most of it and really learn about the area you're investing in)
- ✓ Be able to do virtual showings via Zoom/Skype or facetime or record a walkthrough video to share with you. (Reminder: your Realtor is here to help facilitate and make the process smooth, if they're not embracing technology skip the digital dinosaur agent and find an agent who will make it easy for you)
- ✓ Do they pass the CHUG TEST? (Will you enjoy working with this agent, would you chug a beer with them, or if you saw them walking down the street would you cross it to avoid having to talk to them?)

Cottage Rental Tips for the 21st Century Landlord

Create a name and brand for your cottage. This adds character and creates a distinct feeling for your property such as The Flip Flop Inn or The On The Rocks Cabin allows your property to stand out from all the other generic waterfront cottages that your potential guests have considered.

#Pro Tip: Take your cottage's brand to the next level by creating a one of a kind hashtag for guests to use while staying at your vacation rental. We recommend creating a sign with the hashtag and encouraging guests to take a selfie with it and use the hashtag as a 21st century guest book.

Apps & Devices to Make Cottage Rental Management Easier:

- Smart Thermostat (Electronic and Internet Connected)
- Virtual Propane Meter (if applicable)
- YourWelcome App
- Party Squasher
- NoiseAware



New Guest Book

Whether using an online app like YourWelcome or a physical book or binder to welcome new guests and allow them to get their bearings around your property is a great way to ensure your guests have the most enjoyable experience possible.

New Guest Orientation Book Recommendations

List of Amenities

- Nearby restaurants (and if any deliver)
- Nearby grocery stores

Property Specific

- Septic tips and best practices
- Wifi Instructions
- BBQ Instructions
- Instructions on any toys you've included (fishing equipment, kayaks etc)
- Garbage Instructions
- Checkout Instructions

Emergency Info

- Location of first aid kit
- Nearest hospital & medical facilities



Tax Implications of Renting Your Vacation Property

Any rental income you receive must be reported to the Canada Revenue Agency (CRA) and added to your other income. Naturally, expenses incurred to earn rental income are deductible. Expenses can include a reasonable portioning of costs incurred for renting out versus personal use. Costs that can be considered for vacation property are not dissimilar to those for any other rental property. It would be wise to maintain records of the times the property is rented in order to provide a mathematical means (e.g., a percentage of the days or weeks of the year) of assigning costs to the rental or personal-use periods. Capital cost allowance on a depreciable property can be deducted against property income only to the point where the profit is zero. You cannot create an operating loss or increase a loss with a capital cost allowance.

WARNING: Renting your vacation property to help with costs could trigger a “change in use” to the CRA.

Change in Use

Renting the property more than occasionally could trigger a “change in use” in the judgment of the CRA. Once a change in use is determined, the property is considered to have been disposed of at fair market value and a calculation of the gain or loss between the original cost and the “deemed disposition” price may trigger a capital gain on the difference. There are,

however, other elections that can be made to defer the deemed disposition. Make sure to get the advice of a qualified tax advisor if you plan to rent the property for more than occasional use.

Reporting the Vacation Property on Your Tax Return

Your vacation property will be reported using the T776 on your personal tax return. If you rent out the cottage for a couple of weeks to friends or family for a nominal rent resulting in a rental loss (meaning, you’ve charged less than it costs you to carry the property), be aware you won’t be able to claim the expenses or the loss. CRA considers this to be a cost-sharing arrangement. To deduct expenses, there must be a profit motive—a potential source of net income—for you to claim expenses, so be sure you are consistently charging fair rental value for use of your property. This includes rentals to family members, as well as those you don’t know.

What if you share ownership?

When two or more taxpayers jointly own the cottage, each of the owners will account for their respective share of the revenue and expenses. One statement will be produced for tax purposes, showing the co-ownership.





STEP FOUR:

**Create Specific Search
Criteria for your Realtor**

Setting your Realtor up for Success

It's important you clearly communicate with your Realtor exactly what you're looking for in your dream property.

- Provide your list of Needs, Wants & Bonuses to the Realtor. Consider creating a Pinterest or Trello board with features you're seeking in your vacation property.
- Schedule a Zoom call or in person meeting to review the list. Have the Realtor provide three potential properties, and review the listings.
- Schedule a Zoom call or in person meeting to review the first. 3 listings and discuss what you like and do not like about the properties.
- Have the Realtor email all leads to you and create a system and respond within a set timeline. (For example, agree to respond to all listings your realtor sends, it's important to keep communication open and clear to keep everyone engaged)

Buying Waterfront Property? Remember the Following:

- Waterfront comes at a premium, often 50% or more depending upon the exact market.
- Never assume that the existing cottage, boathouse or dock on a property is in line with bylaw mandates.
- Make sure you understand the rules on building on the shoreline.
- Understand if the property is on a floodplain, and make sure you understand the low and high water marks for the season to manage your expectations.
- Understand that waterfront often means dock maintenance and cost to operate and maintain water toys and boats.
- Insurance may be more for a waterfront property.



Did You Know...

In many cases in Canada the crown or municipality retains the right to build on the shore, known as the Shore Road Allowance (SRA). If you have a building encroaching upon the SRA and the government inspects it or decides to build upon the shoreline you could find yourself losing the building and facing a title insurance claim.

The Shore Road Allowance is often the first 66 feet fronting the lake.

With remote waterfront properties, it's not uncommon for the property to have never been surveyed or for the survey to have used the metes and bounds method. Metes and bounds could refer to objects (trees, fences, buildings) that no longer exist. This means that encroachments and easements might have gone undetected. If you decide you want a survey, be prepared these are expensive.



STEP FIVE:

View Properties

View Properties

The Ideal Property Search Process

Be sure to set and manage expectations with your Realtor on day one on how you would like the process to be undertaken. For most cottage buyers going to physically visit and review the property is impractical and too time consuming. Ideally, your agent has embraced technology and can do video walkthroughs of the property on your behalf.

Thinking of Buying a Property? Make Sure You Understand the Following Before Going Firm:

- Are there any restrictions on the access or services provided to the property?
- Has the municipality zoned the property as seasonal? Be aware that they may not provide emergency services or snow plowing in the offseason and you may not be able to live there or access it year-round.
- Verify the actual boundaries of the property.
- Confirm the source of the property's water supply. Is it from a well or lake or does it need to be brought in?
- Determine waterfront and access rights. Do you have the title or exclusive use of the waterfront?
- Are there any restrictions to building a dock or boathouse on the waterfront?
- Determine if there are any formal right-of-way agreements or easements in place and determine if they are transferable upon the sale of the property.

- Certain items such as oil tanks, wood-burning stoves, docks, wells and septic systems should be inspected by a qualified expert to determine condition and remaining useful life.

Renting Your Cottage in Winter

First, make sure your property is four seasons. Is it properly insulated, on a year-round road, and has a permanent heat source?

Want to Charge a Premium for Your Winter Cottage?

Consider adding or buying a property with a hot tub or sauna. As well, properties with fireplaces (gas or wood) are extremely popular with renters. You'll want to ensure your guests have all the amenities with a smart TV and strong internet connection with wifi access from any part of the cottage. Also, consider providing winter activity supplies like snowshoes, cross country skis or hot chocolate kits with each stay.





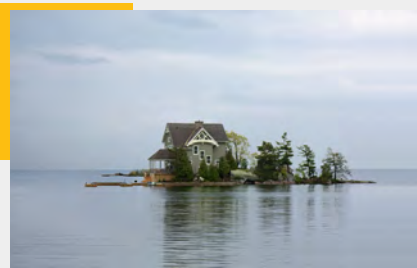
STEP SIX:

Submit Offer

Submitting an offer on a cottage or recreational property is very similar to the purchase of a primary residence with a few exceptions depending upon the exact type of property you're considering.

As with any real estate negotiation, remember it all comes down to price and terms. Most inexperienced buyers make the mistake of only focusing on the purchase price without understanding there are additional considerations when buying a property.

#PRO TIP: As a general philosophy when submitting offers to purchase a property, remember that the simpler and cleaner your schedule of conditions is, the more competitive the offer will be.



Vendor Take Back Mortgages: Vacation and Recreational Properties Edition

Vendor Take Back Mortgage (VTB): Also known as seller financing, is when the seller of a property chooses to take back a portion of the sales proceeds as a mortgage. Many investors are attracted to vendor take back (VTB) mortgages because generally, the seller of a property will have less strict lending criteria than a traditional bank.

Remember due to the nature of vacation & recreational properties and oftentimes their unique circumstances or construction they are often more difficult to finance compared to a traditional principal residence - this results in many sellers being more open to vendor financing than you may find with traditional homes.

VTBs are often popular with vacation & recreational properties depending on the situation of the seller.

A VTB may be attractive to a seller if one or more of the following apply:

- *Does not need all the proceeds from the sale (common if the seller is not buying another property)*
- *The seller is most concerned with top price vs other terms*
- *The seller wishes to reduce the tax impact by utilizing the capital gains deferral available by offering a VTB*

#PRO TIP: It's almost always easier to negotiate a VTB with fewer middlemen, if you can talk to the seller directly it's often easier to align everyone's interest.



When submitting your offer you may wish to request the following as part of your negotiations or as a condition of the purchase and sale of the property.

Request List:

- *Water Related*
- *Potability certificate from local health authority confirming water is safe to drink*
- *Confirmation that the well, pump, and related equipment have performed adequately during sellers occupancy*
- *Provision of a well driller's certificate, if available*
- *Location of the well*
- *Septic System*
- *Confirmation the system was installed with necessary permits*
- *Copies of any inspection or approval reports in sellers possession*
- *no work orders on file with the Ministry of the Environment of the local municipality.*
- *Seller agrees to pump out the tank at their own expense prior to closing (\$200-500)*

Negotiation Tips

- *Ask for extras like boats, water toys or furniture. (It's common with cottages to include these items with the sale)*
- *Arrange an onsite orientation session with detailed written instructions explaining how all the building's systems and mechanics of the property work.*

Vacation Rental Hacking

- *Depending upon your exact market, and whether your property is year round, you'll likely have anywhere from 10-20 peak weeks. Most vacation rental hackers will aim to have 8-12 weeks of peak rental pay for the entire years worth of operations*

Winterization Tips for Seasonal Properties

- *Turn off water, to keep pipes from cracking or bursting*
- *Turn off the main water valve, water pump and water heater*
- *Drain all pipes and drain the hot water tank*

- *Add antifreeze to your holding tank, jet pump casing, toilet tanks and bowls and drains*
- *Check outside faucets, drain hose bibs and deactivate at shut-off value*
- *Cover chimney and stovepipes (To keep cold, snow and animals out)*
- *Consider draining the septic tank or pour a bacteria compound into the system*
- *Cover AC unit*
- *Dispose of perishable foods*
- *Bring in outdoor furniture and watercraft*
- *Switch off & unplug appliances*
- *Disconnect or turn off natural gas*

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STEP SEVEN:

Due Diligence Process

The due diligence process for your vacation or recreational property is similar to the due diligence process one would undertake on a normal home purchase with a few exceptions.

General Due Diligence

- **Confirm financing and get final mortgage approval**
- **Confirm ability to get insurance on the property**
- **Property inspection**

The property inspection with a vacation or recreational property may be more complex depending on the specifics of your property. If it's a waterfront property, on a well, off-grid, older construction or has wood burning appliances you may wish to get specific additional inspections undertaken on the subject property.

Property & Building Inspections

When it comes to inspections and the due diligence process on your property there are a lot of considerations to keep in mind.

NOTE: Some of the older cottages have often been built on perimeter walls or piers and not full foundations and as a result, some structures may be compromised with wall cracks and other signs of buildings shifting. Make sure you get a competent home inspector accustomed to reviewing recreational & cottage buildings and they will be able to detect all structural and mechanical problems with footings, piers, roofs, decks drainage etc.

TIP: Some home inspection companies will offer a warranty for one or more years on all mechanical systems in the house, if you're seeking 100% peace of mind, this may be a good fit for your situation.

Fireplace & Fire Appliance Inspections

If your property has a wood burning fireplace you should consider getting a professional inspection from a certified Wood Energy Technology Transfer inspector (WETT). This cost will likely vary from \$50-200, depending upon whether it is bundled with a home inspection or a stand alone inspection.

Septic System Inspection

Understand that full septic system inspections are normally outside the scope of general home inspections. A full septic inspection will likely include not only a pump out but also a full interior tank cleanout and interior inspection. In addition, it would include a functional line flow test along with a dye test and a soil percolation test. If you have a pump tank an electrical draw test would be done as well. A typical septic inspection will vary in cost from \$100-\$400 depending upon whether it is bundled with a home inspection or a stand alone inspection.



Operating Your Septic System Safely

- Know the location of your tank and bed. Don't drive over it or construct anything on or near any part of it
- Have the tank pumped out every three to five years.
- Don't put food, compost or grease down your drains.
- Conserve water and spread water use over the course of the week, especially laundry.
- Avoid excessive use of antibacterial soaps, bleaches and harsh cleaning products.
- Don't put paints, solvents, pesticides and other toxic chemicals in your system.
- Keep trees and shrubs away from the leaching bed.

Lake Water Quality Inspection

If you're concerned about the water quality of the lake you're looking to buy on and want to confirm the condition of the water - you can check to see if Environment Canada monitors the water quality by going to

<https://wateroffice.ec.gc.ca/>.

Environment Canada monitors bodies of water that straddle provincial or international borders plus a few other lakes of national interest. Within provinces the provincial government keeps tabs on the water quality, for example in Ontario this is done by the Ministry of the Environment. If you wish to have the water tested yourself you'll need to likely have your sample tested by a municipal health lab or private lab. The number one item to test for is E. coli which will indicate if there is runoff into your body of water from septic beds, municipal water systems or agricultural animal use.

Well Water Inspection

Your well water can affect the health of everyone who consumes it. In Ontario, you can have Public Health Ontario (PHO) test your well water.

Well Water Testing:

- Take a Well Water Sample (Using the sample collection kit from PHO)
- Fill Out the Form
- Drop Off the Sample
- Get and Understand Your Results
- Protect Your Well Water

What Does PHO Test For? Coliforms:

- Bacteria often found in animal waste, sewage, as well as soil and vegetation. If they are in your drinking water, surface water may be entering your well.
 - Escherichia Coli: bacteria normally found only in the digestive systems of people and animals. If they are in your drinking water it usually means that animal or human waste is entering your well from a nearby source.
- Link: <https://www.publichealthontario.ca/en/laboratory-services/well-water-testing?tab=0>
- If you've had unacceptable test results in the past, you can take action to improve the long term quality of your drinking water by:
 - Disinfect your well and entire household plumbing system
 - Re-test your well water
 - Get a professional inspection



STEP EIGHT:

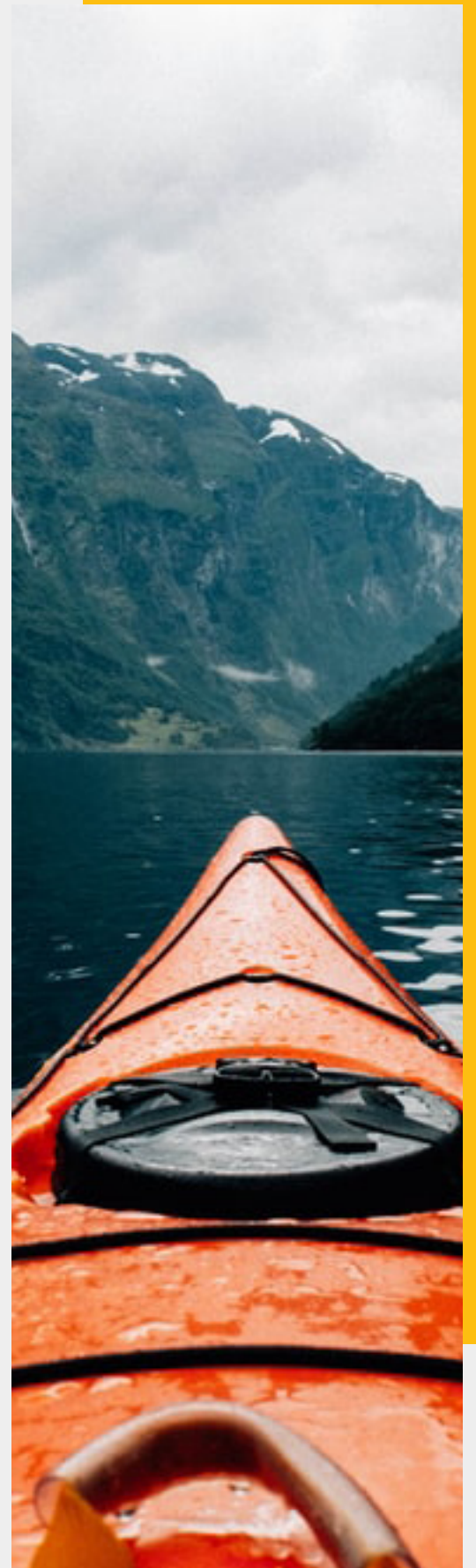
Closing on the Property

CLOSING ON YOUR COTTAGE

Collect the keys
and enjoy your
new vacation or
recreational property!
**But make sure the
handoff goes smoothly**

#PRO TIP:

Ideally, in the negotiation phase you had the seller agree to an onboarding day to show you around the property and explain the maintenance and operation features of your new property.



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