

# FINANCE & COMMERCE



The new owners of the Quarterdeck Resort on Gull Lake paid \$11 million for the real estate related to the Nisswa resort in February, with plans to begin expanding it as soon as weather permits. (Submitted photo)

## The draw of the lakes: Resort market, business still attractive

By: Anne Bretts July 4, 2022 10:45 am

Traditional summer trips to the lake have been buffeted by everything from youth sports and shared custody to work and the allure of overseas travel. At the same time, increasing land costs and chronic labor shortages have taken their toll on profits.

And there's the same business climate that's hit local bakeries, hardware stores and gas stations.

The number of resorts in Minnesota fell from 1,387 in 1985 to 1,185 in 2000, according to statistics from the Minnesota Department of Revenue. By 2019 it was down to 683.

And then the pandemic trapped most people at home throughout 2020.

Today, resorts that remain are again attracting clients — and buyers, said Frank Jermusek, president and managing director of Minneapolis-based SVN | Northco. Jermusek works with buyers and sellers of resorts, golf courses and other

recreational properties across the country and holds an ownership stake in several.

"There's still strong demand for Midwest drivable resorts," he said, noting that even with high gas prices, driving is cheaper and more reliable than flying.

"Resorts that offer outdoor amenities and activities are highly desirable," he said. "Many people are going back to the office, but flexibility to spend more time out of the office has lengthened stays and allowed more family members to gather. Strong internet and cell coverage is a big plus and helps accommodate the work from a distance trend."

The resort industry has indeed evolved. Some iconic family-owned resorts still are thriving after a century or more, although many of the original families have sold to new owners assembling resort networks to share costs.

Some resort owners sell some of their cabins or lodge units and manage them as rentals for their owners. Some have sold to developers, creating homes so new urban owners can relocate and work remotely or use them as vacation homes and put them on Airbnb when they aren't using them.

Resort operator Pat Egan, who owns [Ruttger's Bay Lake Lodge](#) in Deerwood, [Clamshell Beach Resort](#) in Pequot Lakes, and has partnered with Jermusek on projects, said that mom and pop resorts likely will remain independent for a simple reason.

They're a labor of love.

Small resorts, particularly seasonal ones, only produce enough revenue to support the owners. They tend to work until they're ready to sell to a new pair of dreamers.

What's ahead?

[Explore Minnesota](#), the [Federal Reserve Bank of Minneapolis](#) and [Hospitality Minnesota](#) partner to conduct quarterly Minnesota tourism and hospitality industry business conditions surveys. The survey conducted May 10 to 17 had some good news. Most firms are optimistic for the 2022 summer travel season and 82% expect revenue similar to or higher than 2019. Still, some expressed concerns about consumer spending and traffic due to economic pressures and other factors.

A second good year will be an indicator of the potential for long-term recovery,

said Bryce Campbell, president and CEO of North Shore Resort Co., which owns Superior Shores in Two Harbors and Lutsen Resort in Lutsen.

"The amount of people we had through last year was a reflection of 'revenge travel,'" he said. People were determined to get out and his business benefited. "I think its biggest advantage was that we were a place everyone knew," Campbell said. "That was both our strength and weakness."

The downside was that clients expected the same level of service they received before staffing and supply shortages.

This year, clients are looking at more options — and higher gas prices. Gas prices haven't crippled the season yet, Jermusek said.

"I'm not really seeing that with drivable Midwest resorts," he said. "I do think higher prices on flying trips will be impacted. People will still do their 'up north' trips, but likely will not do Hawaii, Mexico."

With the biggest weekend of the summer in the books, it shouldn't take long to see whether optimism is justified.



Odyssey Resorts – the largest resort group in Minnesota – acquired the Lutsen Sea Villas, a collection of over 50 one and two-story townhomes along Lake Superior. (File photo: Odyssey Resorts)

## **Some noteworthy resort sales since last summer**

### **Resort veterans buy Ludlow's Island on Lake Vermilion**

Two resort veterans bought Ludlow's Island on Lake Vermilion in May for \$9 million from the Ludlow family, which owned it for four generations — and called the lake home for more than a century. The price includes operations and real estate.

The partners are Frank Jermusek, president and managing director of Minneapolis-based SVN | Northco, a full-service investment, hospitality and real estate firm, and resort operator Pat Egan, who owns [Ruttger's Bay Lake Lodge](#) in Deerwood, [Clamshell Beach Resort](#) in Pequot Lakes, and other commercial real estate projects.

### **Family sells Sportsman's Lodge on Lake of the Woods**

After three decades of family ownership, second-generation owners Gregg and Diana Hennum have sold The [Sportsman's Lodge](#), Villas, and Campground, an iconic collection of properties on Lake of the Woods and Rainy River along the Canadian border.

The buyers in the April 18 deal are business partners Joe Swanson and Pipasu Soni, the relatively new owners of another iconic property, the [Bluefin Bay family of Resorts](#) along Lake Superior's North Shore and [Northern Skys RV Resorts](#).

The new property sale includes the Sportsman's lodge, marina, summer and winter charter fishing business, restaurants and Bur Oak Campground. It also includes the indoor pool, spa, children's play areas and wedding and event venues.

The price for the 51-year-old resort's operations wasn't disclosed, but the real estate sale totaled \$9.5 million. The sale closed April 18.

### **Buyers pay \$11M for Quarterdeck Resort on Gull Lake, plan expansion**

Jamie Tatge, president of [Leisure Hotels & Resorts](#) and Duluth hotel developer and broker Sanford "Sandy" Hoff of F.I Salter Real Estate paid \$11 million for the real estate related to the Quarterdeck Resort on Gull Lake, with plans to begin expanding it as soon as weather permits.

The cost for the Nisswa resort's operations wasn't released, but industry pricing formulas indicate the total deal could be worth nearly \$17 million.

### **Odyssey Resorts takes over Lutsen Sea Villas on North Shore**

In October, Duluth-based Odyssey Resorts — the largest resort group in the state — took over management of the Lutsen Sea Villas, a collection of over 50 one and two-story townhomes along Lake Superior. The deal gives Odyssey a total of seven resorts along the North Shore.