

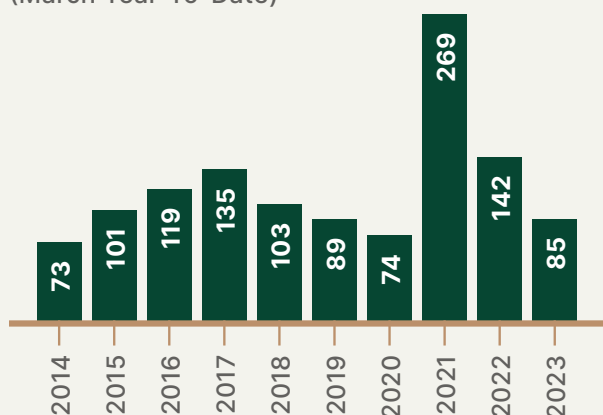
JANUARY - MARCH 2023: MUSKOKA REGION

Prepared by: Chris Kapches, LLB, President and CEO, Broker

In some ways, the Muskoka and Region waterfront recreational marketplace started 2023 in a similar fashion to all markets in southern Ontario, whether recreational or urban. Specifically, the Muskoka and Region marketplace has experienced fairly dramatic declines in sales activity.

The decline in sales activity can not be exclusively attributed to a post-pandemic return to seasonal selling patterns. As the chart below indicates, except for the first three months of 2020, recreational sales in early 2023 are less than sales achieved during the same period from 2015 to 2019.

WATERFRONT SALES ACTIVITY (March Year-To-Date)

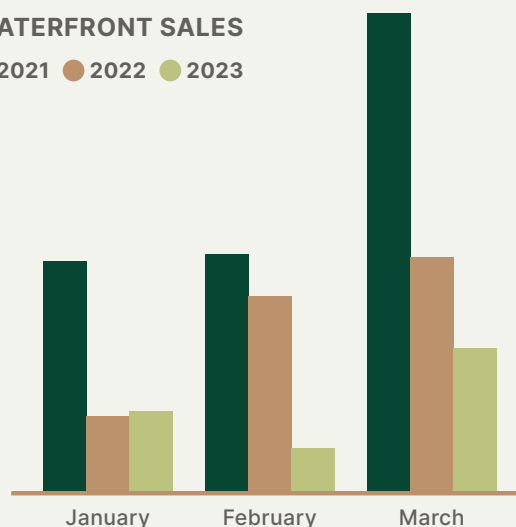


Compared to 2022 sales volume has declined by 40 percent and is more than 68 percent lower than in the first quarter of 2021. This was, however, the height of the pandemic market when the demand for recreational properties was unprecedented and, of course, aided by the cheapest financing buyers had ever experienced.

The decline in sales volume is universal throughout Muskoka and the surrounding region, except for Lake of Bays which had a year-over-year positive variance of 21 percent. This is no doubt due to Lake of Bays middle market status. Its average sale price of \$922,148, in the face of exceptionally high mortgage interest rates, has positioned Lake of Bays very price-attractive compared to the much pricier Muskoka Lakes area. Sales volume in the Muskoka Lakes area was down 42 percent compared to the first quarter of 2022 and 75 percent lower than in 2021.

WATERFRONT SALES

2021 2022 2023



What is different about the Muskoka and Region waterfront market compared to urban, including secondary markets, is average-sale price stability and growth.

AVERAGE SALE PRICE

	MARCH 2023	MARCH 2022	MARCH 2021	MARCH 2020
Muskoka Lakes	\$1,932,091	1.5%	27.8%	57.3%
Lake of Bays	\$922,148	17.9%	17.0%	38%
All Waterfront	\$1,248,958	-3.2%	18.5%	66.2%

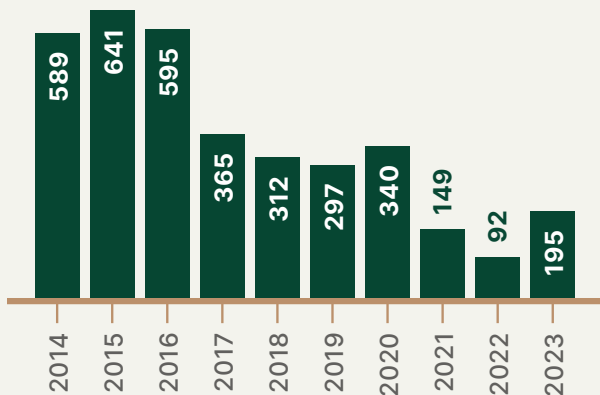
Whereas average sale prices in all urban centers in southern Ontario have declined, some by almost 40 percent since the first quarter of last year, the waterfront, recreational average prices have not only stabilized but have grown.

Urban markets have been constrained by affordability. For the most part, urban purchases and sales of properties are driven by need – change in family composition, divorce, marriage, death, relocation, and upgrading to a higher price point. Recreational property purchases are driven by desire. Buyers entering the recreational market do so willingly, confident in their financial capability, and much less dependent on financing, which constrains buyers and what they can afford to pay in the urban context.

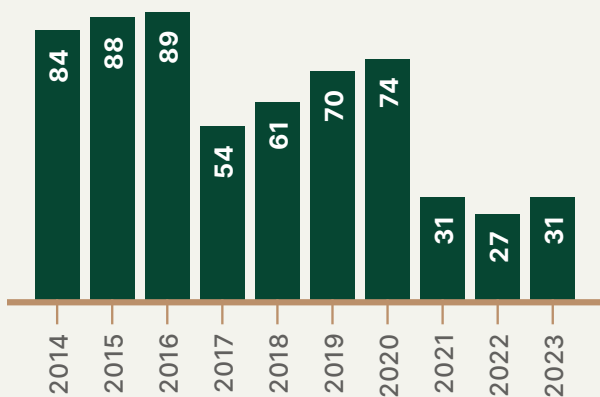
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Average sale prices may not be a problem going forward but inventory will be. As the chart below indicates inventory levels are exceedingly low. The chart represents all waterfront listings for Muskoka and the surrounding regions.

ALL WATERFRONT ACTIVE LISTINGS
(March Year-To-Date)

Although the number of active listings appears high compared to the frenzied pandemic market of 2021 and 2022, they are historically low. Given the demand, these low levels of inventory will continue to put upward pressure on average sales prices throughout 2023.

MUSKOKA LAKES — WATERFRONT ACTIVE LISTINGS
(March Year-To-Date)

On the Muskoka Lakes, where some of the most expensive properties in the Muskoka region are located inventory levels are even lower. Whereas

inventory levels on the broader waterfront market are down by 42 percent, they have declined by 58 percent on the Muskoka Lakes compared to 2020.

Activity in the Haliburton Highlands region has been negligible during the first three months of the year. There have only been 7 reported sales and only 9 new listings to date. This activity is consistent with seasonal historical patterns. As in the case of all waterfront markets the average sale price of the properties sold in March remains strong at \$1,221,666 more than double the average sale price of properties reported sold during the first quarter of 2020, just as the world was becoming aware of Covid-19.

Chestnut Park's realtors have far exceeded the overall performance of the Muskoka and Region waterfront marketplace. In the first quarter of 2023 Chestnut Park completed 33 sales, the same number completed in the first quarter of 2022 when the market was highly overheated. The dollar volume of these sales totalled more than \$59 million. Last year's dollar volume totalled slightly more than \$58 million. In addition, Chestnut Park's Port Carling office sales were almost 250 percent higher than the next competitor brokerage office. Given the prevailing market conditions, this is a truly remarkable performance.

Looking towards the second quarter of 2023 the recreational market's performance will be driven by the availability of waterfront properties. Early indications are that demand for waterfront properties remains strong throughout the region. First quarter sales have demonstrated that average sale prices are maintaining the elevated levels achieved during the frenzied pandemic market and will no doubt continue to do so. Lack of supply is not restricted to recreational markets. It appears to be universal throughout southern Ontario and growing on the back of the dramatic increase in population due to record levels of immigration. The second quarter has historically been the strongest selling period in the Muskoka and region market. The desire to own recreational property, heightened by the pandemic, will continue to propel the recreational market not only in the second quarter but throughout 2023, constrained only by supply.