

JANUARY-DECEMBER 2023: MUSKOKA REGION

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

In 2022 the Muskoka and Region recreational, waterfront market outperformed the urban residential market. In 2023 the waterfront market was, for the most part, in lockstep with the urban residential marketplace, which was one of the least robust in more than two decades. It should be noted that Chestnut Park's results not only broke this trend, but exceeded its 2022 sales and volume performance.

In the greater Toronto area only 66,000 residential properties were reportedly sold in 2023. This is the least number of reported residential sales in more than two decades. Given the fact that the greater Toronto area's population has grown by more than 2 million people in that time period, 2023's sales results are even more concerning. In a word, the reason for this horrible market was affordability. High average sale prices coupled with a Bank of Canada benchmark rate of 5 percent meant that the bulk of southern Ontario consumers were and continue to be affordability challenged.

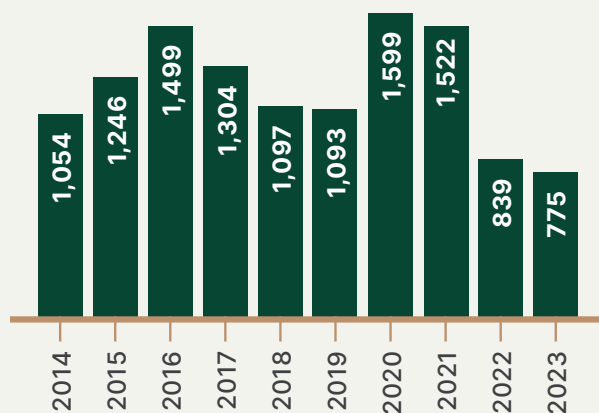
Even though recreational waterfront marketplaces are not always impacted, to the same degree, by affordability as urban markets, with some exceptions, affordability, even if more psychological than real, cast its shadow over the Muskoka and Region recreational marketplace, with few exception. Sales activity declined in every waterfront region in Muskoka, except for Lake of Bays. Across the Region recreational property sales declined by almost 8 percent compared to 2022. Interestingly, even though sales declined, the average sale price for all waterfront property sales increased by almost 2 percent to \$1,388,393, and substantially higher in the Muskoka Lakes region.

WATERFRONT MARKET ACTIVITY
(January-December)

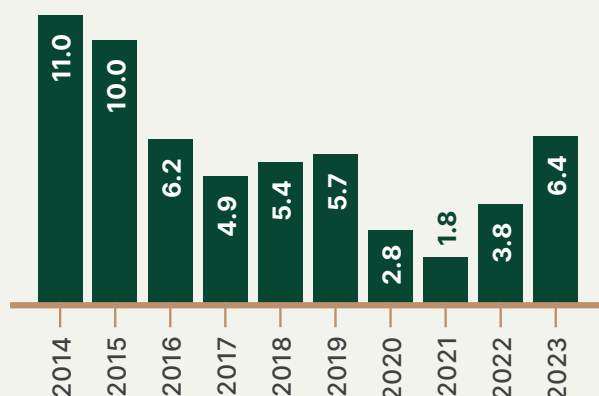
	2023	2022	2020	2018
Sales	775	-7.6%	-51.5%	-29.4%
New Listing	2,057	17.8%	1.9%	6.4%
Active Listings	413	55.2%	12%	-16.8%
Average Sale Price	\$1,388,393	1.6%	35.5%	77.7%
Months of Inventory	6.4	3.8	2.8	5.4

SALES ACTIVITY

(December Year-To-Date)

**MONTHS OF INVENTORY**

(December Year-To-Date)



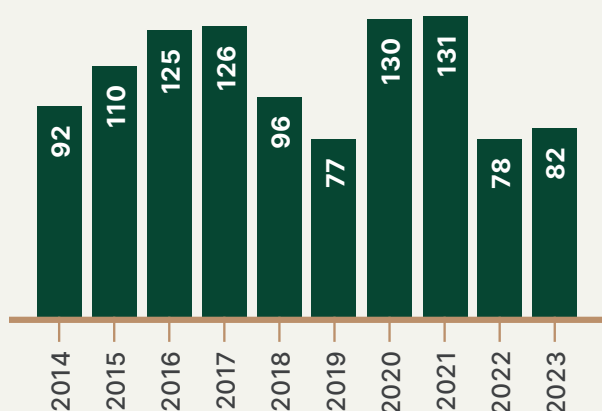
The data coming from the Muskoka and Region waterfront marketplace is not entirely negative. Although sales activity has declined, the average sale price remains strong, 35.5 percent higher than it was in 2020 and an eye-popping 77.7 percent higher than it was in 2018. In varying degrees these market results were replicated in all of the Muskoka and Region waterfront markets: Bracebridge, Gravenhurst, Huntsville, Haliburton Highlands and Muskoka Lakes. Only Lake of Bays reported more sales in 2023 than in 2022. In addition to higher sales year-over-year, the Lake of Bays waterfront market saw the highest increase in average sale prices in 2023. At year end the average sale price for all recreational properties reported sold (on MLS®) came

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in at \$1,669,324, 39 percent higher than 2022. Although pricey, the Lake of Bays market offers a more accessible level of recreational properties than the Muskoka Lakes, and in particular Muskoka's Big Lakes, Rosseau, Joseph and Lake Muskoka.

LAKE OF BAYS SALES ACTIVITY (December Year-To-Date)



The Muskoka Lakes waterfront marketplace, like the other regions, saw sales decline while average sale prices increased to record breaking levels. The average sale

MUSKOKA LAKES WATERFRONT ACTIVITY (January-December)

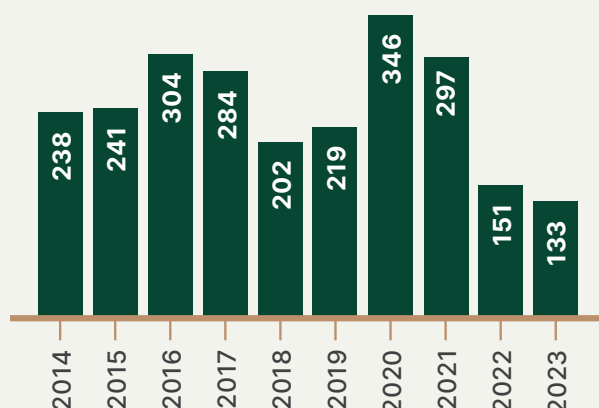
	2023	2022	2020	2018
Sales	133	-11.9%	-61.6%	-34.2%
New Listing	360	13.6%	-20.7%	-13.9%
Active Listings	74	30.5%	-16.9%	-34%
Average Sale Price	\$2,540,928	7.8%	43.3%	75.8%
Months of Inventory	6.8	4.6	3.2	6.8

price, for multiple listings sales reported on the Muskoka Lakes is 83 percent higher than the average sale price for waterfront sales throughout the Region. Although active listings increased in 2023 and 2022, they remain low by historical trends. In 2022 and 2023 higher supply volumes are simply a factor of

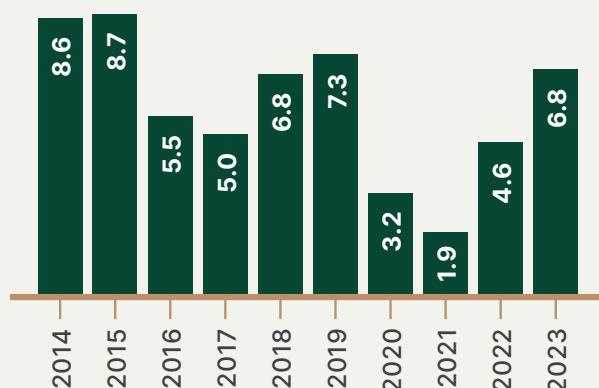
decreased sales. The consistently high, and increasing average sale prices, not only on the Muskoka Lakes but throughout the Region, are a reflection of demand which, if anything, has continued to grow. Decline in sales is correlated to affordability, not demand.

MUSKOKA LAKES MLS® Waterfront Market Activity

SALES ACTIVITY (December Year-To-Date)



MONTHS OF INVENTORY (December Year-To-Date)



Muskoka's Big Lakes, Lake Rosseau, Joseph and Muskoka saw a decline in sales while at the same time witnessing a rise in the number of recreational properties available to Buyers. Like the rest of the Muskoka and Region market sales on the Big Lakes

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declined by 12 percent in 2023. During the same period the number of cottages that came to market (MLS®) increased by 15 percent.

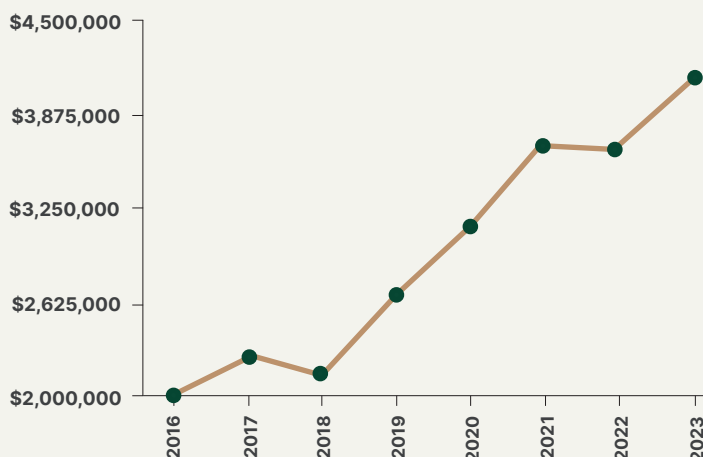
The ratio of sales by price point on the Big Lakes reflects the high cost of financing. The number of lower

	2022	2023
Sales Over \$5M	16.8%	22.5%
\$2.5M to \$5M	25%	22.5%
\$1M to \$2.5M	58.2%	55%

priced properties as a percentage of total sales decreased in 2023, while the number of higher priced recreational properties as a percentage of total sales actually increased. At first blush these results would appear to be anomalous. In markets where sales decline, supply increases, average sale prices also decline. This has been very evident in almost all urban markets. Recreational properties, especially waterfront properties, do not always follow this paradigm, especially as the total universe of waterfront properties becomes finite. Clearly affordability has impacted sales on the Big Lakes, especially at the “entry level”.

Like the entire Region the average sale price on the Big Lakes continued its ascent in 2023. The Average sale price on the Big Lakes increased by almost 5 percent to approximately \$4,300,000.

LAKES MUSKOKA, ROSSEAU & JOSEPH, MLS® DATA (District of Muskoka only, \$500,000+)



The increase in the average sale price was primarily driven by 19 reported sales on Lake Joseph. The average sale price of sales on Lake Joseph was almost \$7.5 million. In 2023 the average sale price on Lake Rosseau plateaued at just under \$5 million, whereas the average sale price on Lake Muskoka increased slightly to \$3 million, again reflecting the impact of the cost of financing on “entry level” waterfront property in the region and on the Big Lakes, if an area with an average sale price of \$3 million can be regarded as “entry level”.

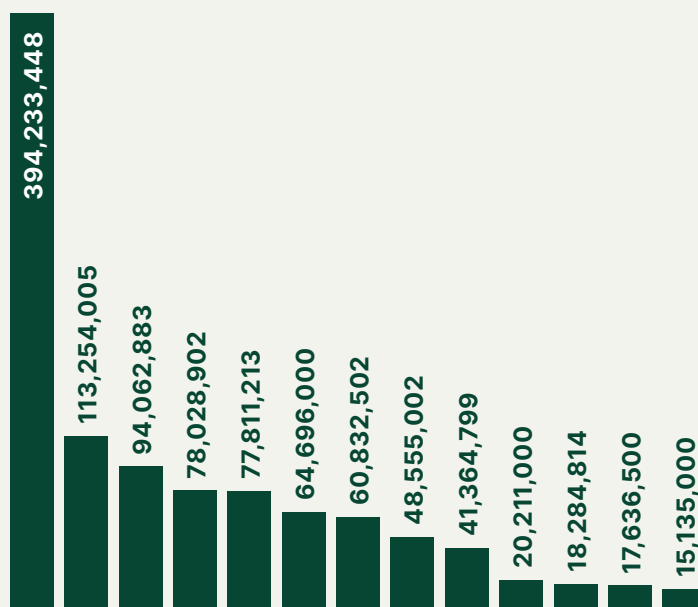
CHESTNUT PARK

The performance of Chestnut Park’s Realtors® was extraordinary in 2023. Whereas sales across the Region declined, Chestnut Park’s Realtors® saw sales increase by almost 8 percent. Our dollar volume of sales increased to more than \$412 Million, only surpassed by the numbers Chestnut Park’s Realtors® achieved during the 2021 pandemic market. In addition, Chestnut Park’s Port Carling Office Realtors® were involved in 250 percent more sales volume than the next closest competitor office. In fact, Chestnut Park’s Port Carling Office Realtors® were responsible for more sales volume than the next four competitor offices combined.

RANKING REPORT

(For other offices located in the Port Carling Area)

YTD - January 1, 2023 - December 31, 2023 - Based on WF Property Sales Volume



*Information gathered from “the Lakelands Board” and Matrix”

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LOOKING TO 2024

Based on the anticipated growth in the Canadian economy in 2024, the declining inflation rate (currently at 3.1 percent with the Consumer Price Index at 3.4 percent) and signals from the Bank of Canada that in 2024 will see the Bank increase liquidity by reducing its benchmark rate, 2024 should see a substantial increase in waterfront sales and continued increases in average sale prices. Growth in 2024 will not, however, be linear.

It is most unlikely that the Bank of Canada will reduce rates during the first quarter of 2024. The first decrease of 0.25 percent is not expected until the second quarter. Even though the decrease will be small, practically nominal, it will have a very

positive impact on consumer confidence. Confidence in the economy is particularly important in the recreational marketplace where all purchases are discretionary and rarely driven by necessity.

The second half of 2024 should be very robust as the Bank is expected to reduce the benchmark rate by a further 0.5 to 0.75 percent. Although forecasts are never certain, if the economy unfolds as anticipated, recreational, waterfront sales should see an increase by 15 percent to almost 900 multiple listing sales, which would be a number approaching pre-pandemic sales volumes. Based on 2023 data, average sale prices will likely rise by more than 5 percent, with variation from region to region.

