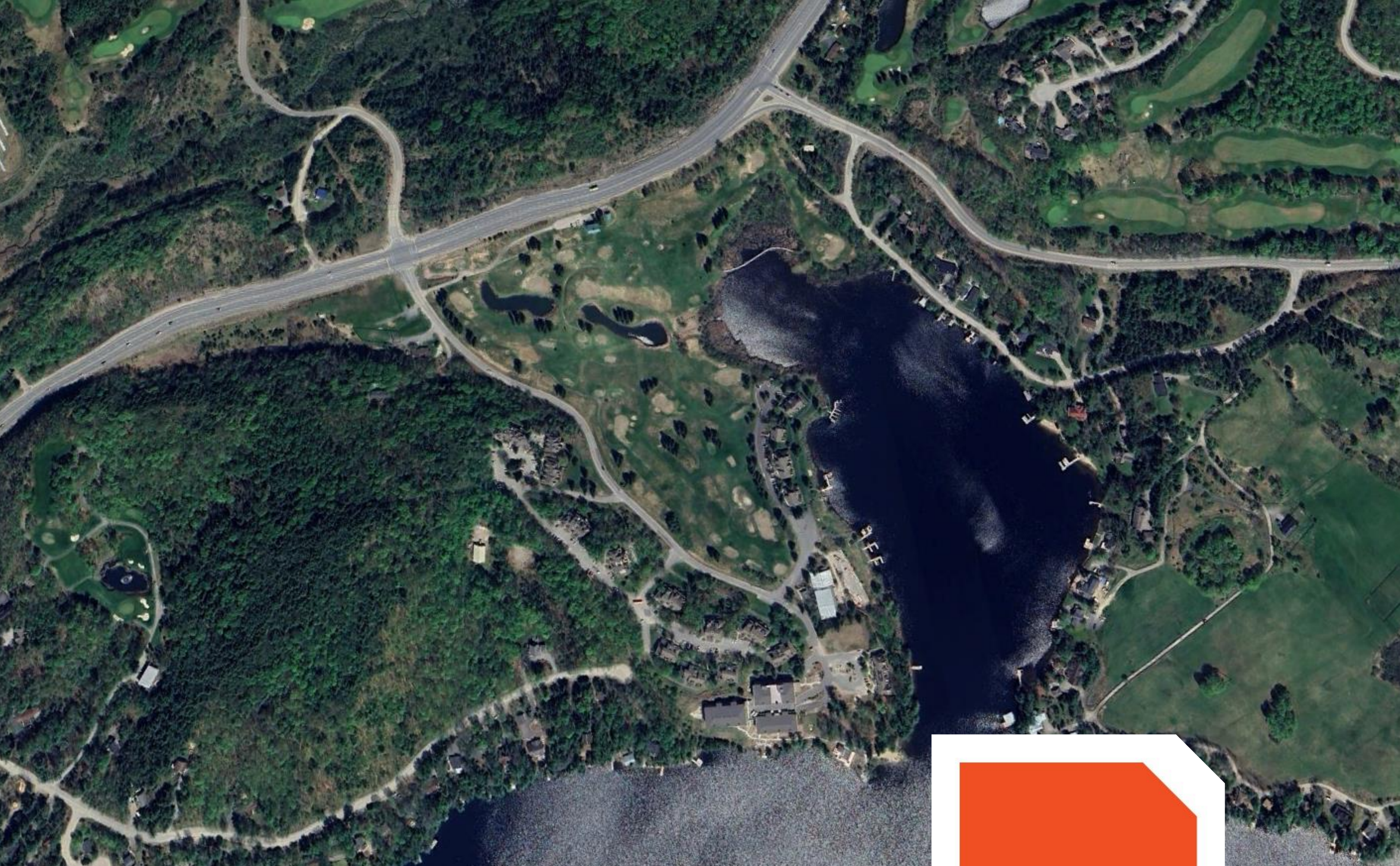

GRANDVIEW VILLAGE

Resort Commercial Uses Market Assessment

Huntsville, ON

Prepared for **Halmont Properties Corp.**

November 7, 2024

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November 7, 2024

Mr. Claude Doughty
Halmont Properties Corp.
51 Yonge Street, Ste 500
Toronto, ON, M5E 1J1

Dear Mr. Doughty,

RE: **Grandview Village** – Resort Commercial Uses Market Assessment (Huntsville, ON)

urbanMetrics inc. is pleased to submit the enclosed report that summarizes the results of a market demand assessment for resort-commercial uses on your property, comprised of the former Grandview Resort lands in Huntsville, Ontario.

The primary objective of this analysis is to evaluate the future demand for traditional accommodation facilities to determine the feasibility of developing resort commercial uses on the site, as is currently required by the District of Muskoka and Town of Huntsville Official Plans. In addition, this report outlines how a shift towards residential uses might impact Huntsville's tourist economy.

Our methodology includes a competitive supply analysis of existing and proposed accommodation facilities within Huntsville and the wider Muskoka Region. We have also projected visitation trends to forecast the future demand for accommodation facilities compared to residential uses that could influence Huntsville's economic landscape and have implications for tourism-related activities.

We trust that this report will provide valuable insights to assist Halmont Properties Corp in making informed decisions regarding the future of Grandview Village.

Warm Regards,

Douglas R. Annand PLE
Partner
urbanMetrics Inc.

Tywen Thomas MSc.
Sr. Project Manager
urbanMetrics Inc.

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urban Metrics

Executive Summary

- Halmont Properties Corp., the owners of the former Grandview Resort lands, is proposing a redevelopment of the subject property that introduces residential uses by redeveloping the former 9-hole golf course.
- In our opinion, the Town and District's Official Plan policies requiring a minimum of 50% resort commercial uses on the Subject Site are not aligned with the needs of visitors and residential and hospitality market conditions.
- Based on our review of the current and future hotel market, there is limited demand for the development of additional traditional hospitality facilities in Huntsville.
- Our review of the competitive inventory in the immediate area identified 48 competitive visitor accommodation properties, offering more than 1,582 rooms in total. Of these properties, 28 are located within the Town of Huntsville, offering a combined 1,317 of the 1,582 total rooms.
- While an estimated 82 cottage-resort rooms operate within Huntsville's boundaries, this accommodation type is more prevalent in less developed and more natural settings, with 183 rooms available outside the municipal boundary but within convenient driving distance.
- The market for traditional forms of accommodation such as hotels, motels, and hotel and cottage resorts has shrunk even as visitation to Muskoka has grown. The proportion of visitors who have stayed in these traditional hospitality properties has reduced by almost half in recent years, from 12.1% in 2018 to 7.0% in 2022.
- The short-term accommodation sector in Muskoka now outperforms the traditional hospitality sector in terms of average daily rates and revenue per available room, illustrating the growth in this market sector and its increasing strong performance.
- The nearby Deerhurst Resort, which already offers some 387 rooms as the largest accommodation property in Muskoka, is proposing a 447-room expansion, which will exert considerable competitive pressure on the potential viability of accommodation facilities on the subject site.
- Flexibility in land use designations will ensure that the planning framework can adapt to the tourist market and changing preferences and travel patterns.

1.0 Site Context

1.1 Development Concept

Halmont Properties Corp., the current owners of the former Grandview Resort, are proposing redevelopment of the site that converts the former 9-hole golf course to residential uses. 108 condominium townhomes would be constructed on the southern portion of the golf course to augment the existing townhomes and apartments located along the east side of Grandview Bayside Drive and the west side of Grandview Drive.

Figure 1: Proposed Development Concept

SOURCE: Halmont Properties Corp., The Planning Partnership.

The proposed redevelopment envisions continuing the existing built form with low-rise townhomes integrated into the existing topography and oriented around stormwater management ponds and existing natural areas. Any potential resort-commercial uses would be situated toward the north-western portion near the intersection of Grandview Drive and Highway 60.

The existing policy framework for this area of Huntsville, as directed by the District of Muskoka Official Plan and the Town of Huntsville Official Plan, requires that the number of accommodation units in traditional resort commercial uses equals or exceeds the number of residential units. The intent is to maintain at least an even split between these uses. Halmont are evaluating whether current market conditions support the continued application of this policy and the feasibility of developing the required split of uses.

1.2 Access and Visibility

The site has a unique blend of accessibility and privacy that makes it attractive for potential development. Access is convenient, with direct connections to Highway 60 allowing easy vehicular access. This is particularly relevant due to the site’s proximity to Huntsville’s downtown area, which makes it well-positioned for residents or visitors who seek nearby urban amenities. Contrastingly, the site's natural features complicate boating access. Most of the waterfront is a wetland area, which limits the feasibility of constructing boat launches or docks to improve boat access.

The relative visibility of the site varies significantly. The northern portion is highly visible from Highway 60, attracting the attention of road users on a busy stretch of highway, which is a potential benefit for commercial uses that rely on visibility to attract customers. However, most of the site is more secluded, as the treeline and slope towards the lake obscure much of the site from the road.

From the waterfront, the site is not visible from the travelled portions of Fairy Lake as it sits behind existing condominium developments. This privacy contributes to a relatively secluded property relative to its location close to Huntsville’s core yet sacrifices some of the broad lake views that attract visitors to neighbouring resort and hospitality properties.

1.3 Surrounding Land Uses

North: The Grandview Golf Course is located directly across Highway 60, which forms the site's northern boundary. In our opinion, this amenity and its continued operation represent an attractive local amenity for residents and visitors residing in the area.

East: Fairy Bay borders the site to the east, with residential and cottage properties located across the bay. Notably, the Fairy Bay Guesthouse, a small commercial hospitality operator, is on the far shore. This area represents the bulk of the Hidden Valley Resort Recreational Lifestyle Area, including Deerhurst Resort and Hidden Valley Resort, which offer a range of amenities and to tourist-oriented uses.

South: The site's southern boundary is flanked by existing condominium development, including the larger Waterfront at Grandview Condos. Beyond these developments is the shore of Fairy Lake.

West: To the immediate west of the site are existing condominium residential uses, and beyond that, a larger wooded area which serves as a natural buffer between the Grandview area and residential properties on larger lots along Golden Pheasant Drive.

2.0 Huntsville Visitor Accommodation Market

2.1 Competitive Inventory

Existing Accommodations

Our review of the competitive inventory identified 48 properties in the area, offering more than 1,582 rooms in total. Competitive properties include hotels, motels, bed and breakfasts, cottage resorts, and hotel resorts, which are referred to as traditional accommodations for the purposes of this report. Alternative accommodation options such as privately owned properties operating as short-term rentals, RV parking facilities, campsites, and hunting and fishing lodges are considered separately.

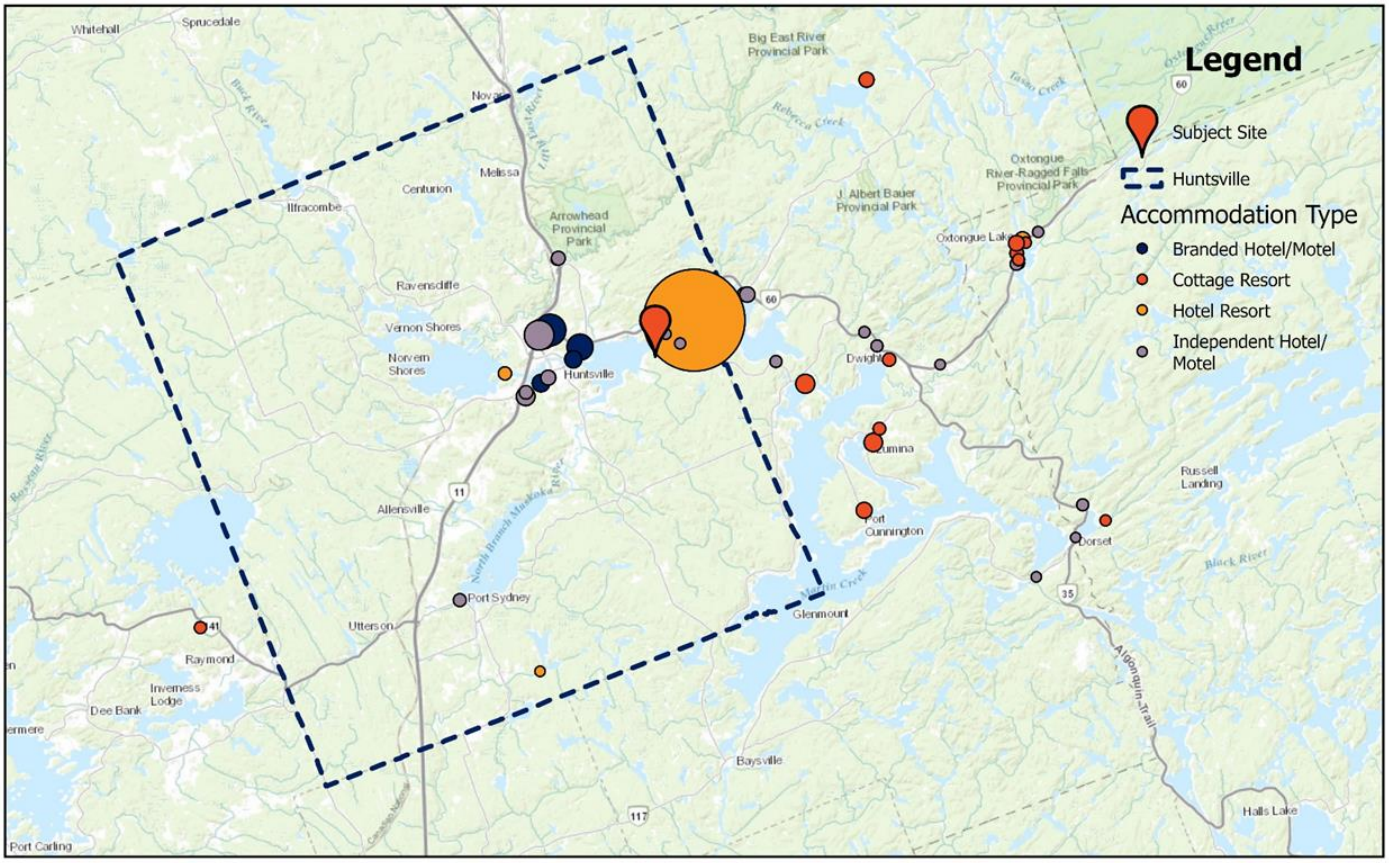
Of the 48 competitive properties in the area, 28 are located within the Town of Huntsville, offering a combined 1,317 of the 1,582 total rooms. These traditional accommodations have been divided into four categories based on ownership, amenities, and the seasonality of operations; Branded Hotels/Motels, Cottage Resorts, Hotel Resorts and Independent Hotels/Motels. There are five branded hotels/motels, 14 cottage resorts, seven hotel resorts, and 22 independent hotel/motel properties.

More than one-third of the room supply is in hotel resorts, with 594 identified rooms in these properties, 571 of which are within the Town. Hotel resorts refer to amenity-rich hospitality properties that offer a full Muskoka waterfront experience. Some of these properties offer a pseudo-residential ownership model that allows owners to purchase a unit as a seasonal property that can be returned to the resort rental pool and made available to other visitors. This decision is made at the owners' discretion; but it is challenging to predict how it impacts the potential supply in a given year.

The next most significant component of the competitive inventory is independent hotels and motels, which offer 378 rooms, with 319 within Huntsville. These properties range from larger independent hotels to family-owned and operated bed and breakfasts. In addition, there are 345 branded hotel rooms and 265 cottage resort cabins or cottages in the area, with all 345 branded hotel rooms and 82 of the 265 cottage resort rooms located within Huntsville's borders.

This analysis considers full bedrooms in cottage resort cabins or cottages as hotel room equivalents. Some small hospitality offerings in a grey area between short-term accommodations and bed and breakfasts were included in the study based on a combination of their licensing status with the Town of Huntsville and their level of service.

Figure 2: Map of Competitive Inventory - Huntsville & Surrounding Area

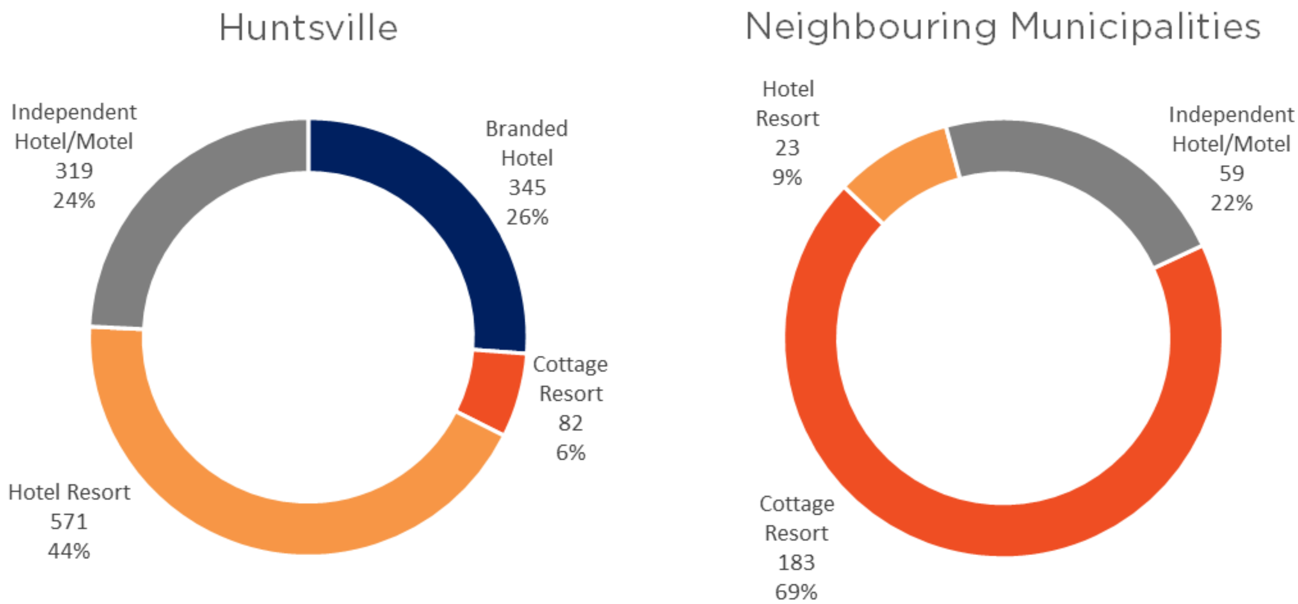


SOURCE: urbanMetrics inc., with data from CoStar Realty Ltd.

As shown in Figure 2, the majority of the competitive inventory is concentrated in three areas: Huntsville's urban core, near the subject site in the Hidden Valley Resort Recreational Lifestyle Area, and east along Highway 60 towards Algonquin Provincial Park.

Figure 2 illustrates properties both inside and outside the Town of Huntsville. To assess future demand and the impact on Huntsville's tourism economy, future sections of this analysis will focus on the 1,317 rooms available within Huntsville. However, all existing properties are shown here to demonstrate the strength of the local competition that does not depend on jurisdictional boundaries. The existing breakdown of these rooms by property type is shown in Figure 3.

Figure 3: Competitive Visitor Accommodation Rooms



SOURCE: urbanMetrics incl, with inputs from CoStar Realty Ltd.

As shown, Huntsville's urban setting correlates with a more significant role for hotel resorts and branded hotels/motels. While an estimated 82 cottage-resort rooms operate within Huntsville’s boundaries, this accommodation type is more prevalent in less developed and more natural settings, with 183 rooms available outside the municipal boundary but within convenient driving distance.

Proposed or Under Development Accommodations

As noted above, our review of development applications in the Town of Huntsville identified a single relevant proposal. However, this proposal has the potential to significantly impact the market for visitor accommodations in Huntsville and throughout the Muskoka Region. Deerhurst Resort, which at 387 rooms is already the largest accommodation property in Muskoka, is proposing a 447-room expansion.

Figure 4: Deerhurst Proposed Expansion

SOURCE: Deerhurst Resort via the Town of Huntsville

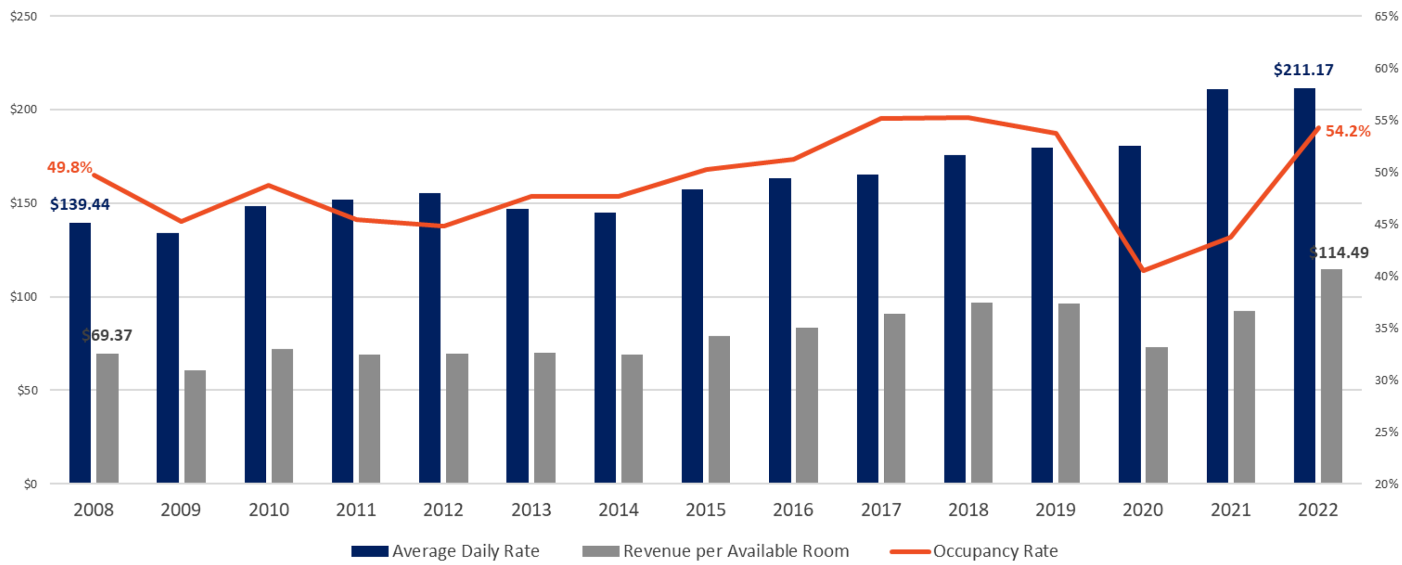
The proposed Deerhurst expansion represents the most significant increase in room supply in Muskoka in decades. Notably, of the 447 proposed rooms, 19 are studios, and 288 are single-bedroom units, highlighting the proposal's orientation towards visitor accommodation and resort uses rather than residential uses more aligned with families or longer stays.

In addition to resort units, the proposal includes more than 17,000 square feet of restaurant space and is augmented by 2,700 square feet of retail space.

2.2 Hospitality Sector Market Review

Data on the visitor accommodation sector is available at the Muskoka Region level. Available data suggests that while the pandemic severely impacted performance in 2020, the recovery began in earnest. As shown in Figure 5, occupancy levels recovered to pre-pandemic levels by 2022, and average daily rates (ADR) and revenue per available room (RevPAR) caught up or exceeded 2019 levels by 2022. It should be noted that the Ministry of Tourism does not adjust ADR and RevPAR for inflation.

Figure 5: Muskoka Accommodation Sector Key Indicators

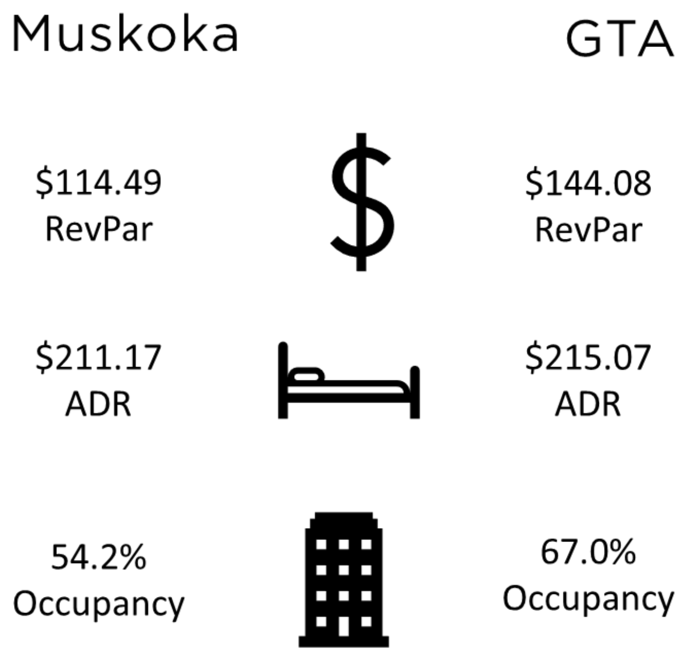


SOURCE: Ontario Ministry of Transportation using inputs from CBRE Hotels. Used for illustrative purposes only.

Figure 6 highlights differences between key sector indicators in Muskoka and the Greater Toronto Area. While not directly relevant to the demand for accommodation in Huntsville, these differences highlight the impact of seasonality on sector performance and illustrate the financial challenges of operating tourist-oriented facilities in Muskoka.

As shown, in 2022, average Occupancy Rates in Muskoka were 54.2% compared to 67% in the GTA. Average daily rates in Muskoka were $211.17, slightly below the $215.07 in the GTA. This relatively small difference in ADR between the GTA and Muskoka compared to the broader gap in occupancy reflects the ability of Muskoka-area properties to significantly raise prices during the high season and make up some of the gap between themselves and other, less seasonal areas, like the GTA. Regarding revenue per available room, Muskoka averaged $114.49 compared to $144.08 in the GTA, illustrating that while high-season rates can compensate for lower occupancy, they cannot bridge the profitability gap between highly seasonal and less seasonally affected markets.

Figure 6: GTA vs Muskoka Hospitality Sector Indicators

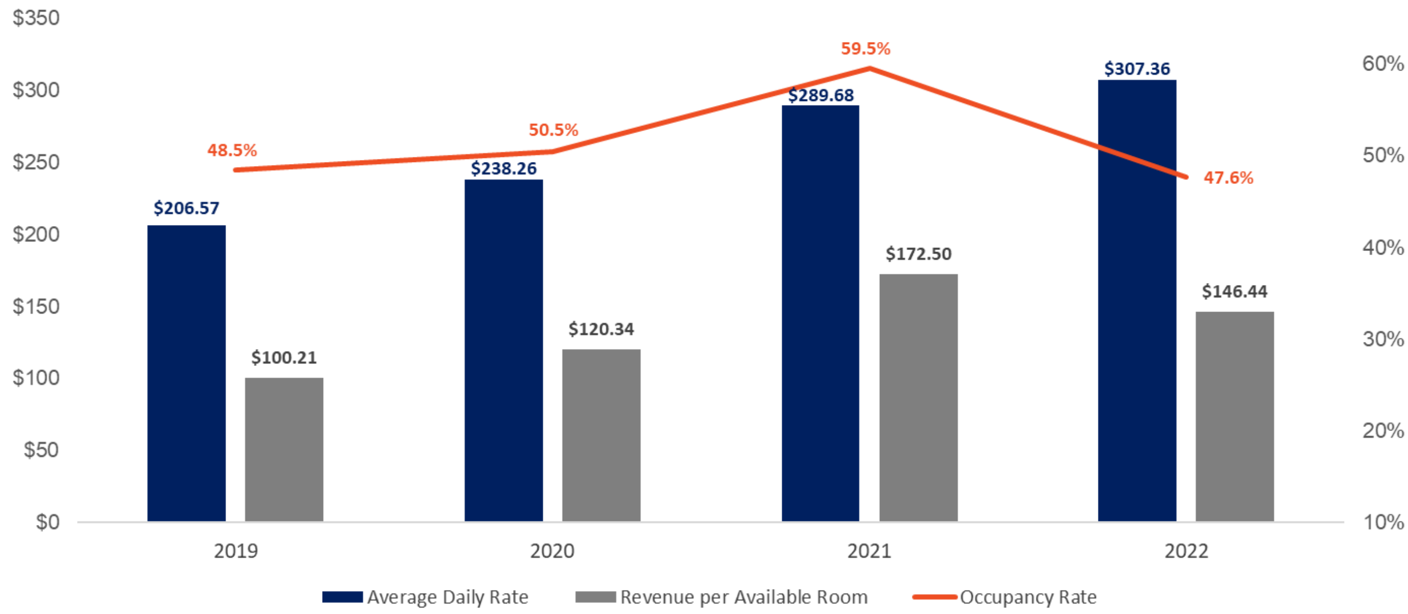


SOURCE: Ontario Ministry of Tourism, Culture and Sport from CBRE Hotels. For Illustrative Purposes Only.

In addition to traditional visitor accommodation offerings, the competitive marketplace in Huntsville and across Muskoka is significantly impacted by short-term accommodations. As shown in Figure 7, STAs have seen substantial improvement in their performance metrics since the pandemic-impacted period, with ADRs increasing from $206.57 in 2019 to $307.36 in 2022. RevPAR has similarly increased by 50% from $100.21 to $146.44 over the same period. Notably, after achieving record highs in 2021 due to regional or international travel restrictions, occupancy declined to 47.6% in 2022, down almost 1% from 48.5% in 2019.

This decrease in occupancy rates has been driven mainly by increases in supply. The strong performance of STAs creates an incentive for homeowners, particularly owners of second or recreational properties, to make their properties available on the STA market. Compounding this factor was the pandemic-era push for properties outside of major urban centres, with remote working, social distancing, and other lifestyle factors increasing the demand for and price of residential properties across Muskoka. These increasing ownership costs contribute to upward pressure on supply as the potential for revenue generation became part of the value proposition of purchasing property in Muskoka for some buyers.

Figure 7: Muskoka STA Sector Key Metrics



SOURCE: Ontario Regional Tourism Organization from CBRE Hotels. For Illustrative Purposes Only.

Notably, critical metrics in the STA sector outperform those of traditional hospitality. While STA occupancy is below hospitality sector levels, STA average RevPAR of $146.44 greatly exceeds conventional properties' rate of $114.49, while ADRs of $307.36 in the STA sector are also significantly above the $211.17 rate in the traditional hospitality sector.

While this juxtaposition is interesting, it is important to note that these two sectors are not identical, and direct comparison is highly challenging. For example, most STA properties offer more than one bedroom and a fundamentally different value proposition from traditional accommodations, with privacy and space often prioritized over service or more extensive amenities. However, the strong performance of STA's has significant repercussions for traditional hospitality feasibility.

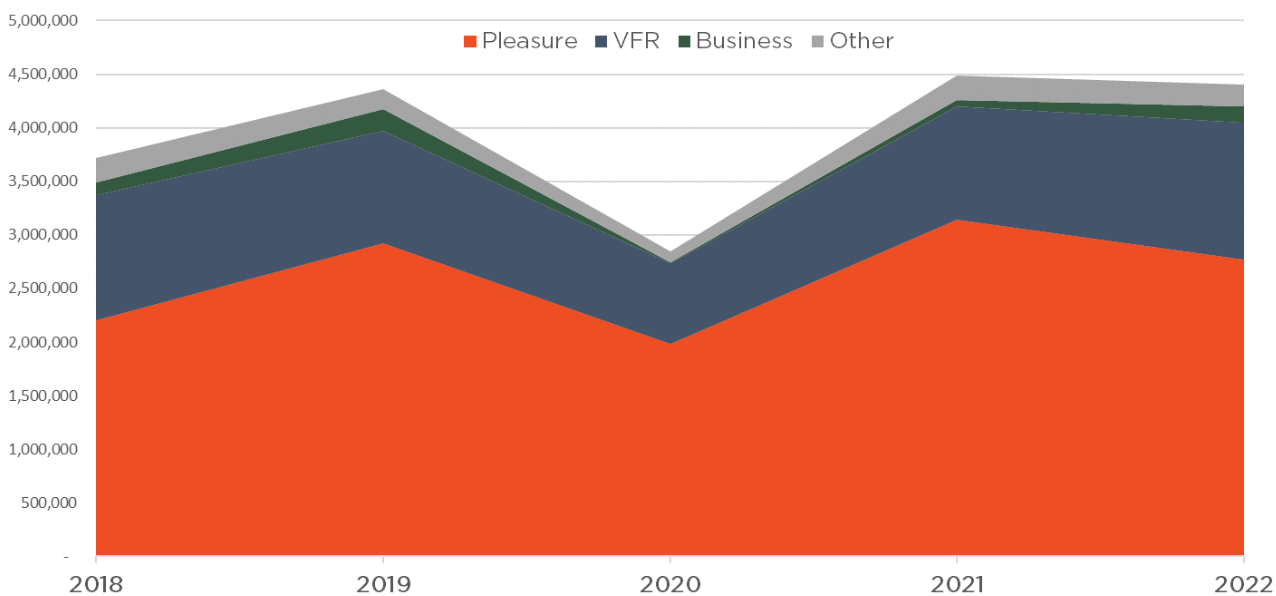
In particular, STA's benefit from a level of flexibility that is not available to hotel/motel or resort operations. A significant component of the strong occupancy rates in the STA sector is the limited room nights available. Many STAs are only available during peak season, and the seasonality in their performance gives them a distinct advantage over conventional hospitality properties.

While STA's can more easily adapt to seasonality, cottage resorts, are negatively affected by seasonality, with most cottage resorts closed for the winter months and unable to generate revenue.

2.3 Muskoka Visitation Trends

In addition to the supply of rooms and the different sub-segments, the feasibility of commercial accommodation properties is rooted in the demand for particular types of facilities. Detailed statistics on visitation are available up to 2021 via the Ontario Ministry of Tourism, Culture and Sport. As shown in Figure 8, a significant majority of visitation is driven by pleasure, with more than 62% of 2022 visitors citing recreation or leisure as the reason for their visit. The next most significant component of demand is visiting friends and relatives (VFR), which accounted for more than 29% of visitation in 2022. Business (3.5%) and Other (4.5%) drive the remaining visitation.

Figure 8: Reason for Visiting Muskoka 2018-2022 (Person Visits)



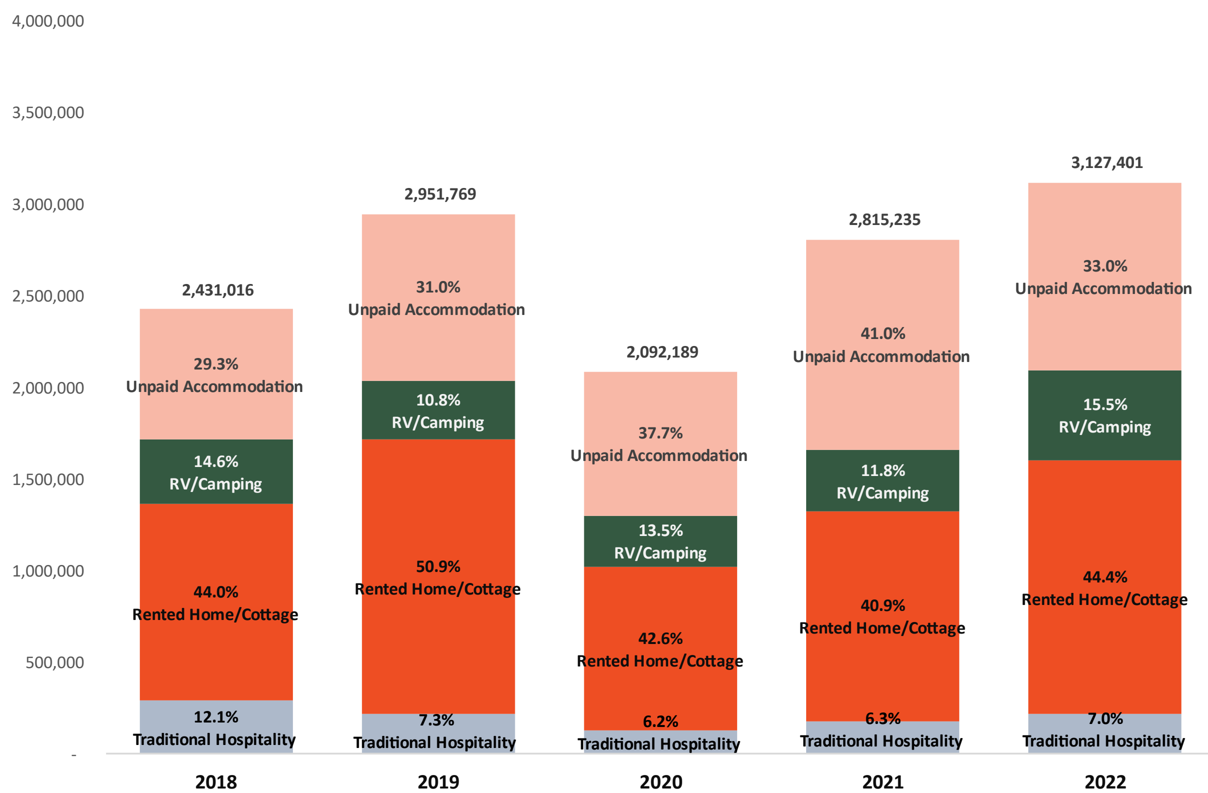
SOURCE: Ontario Regional Tourism Organization from CBRE Hotels. For Illustrative Purposes Only.

Not all of these visits contribute to the demand for accommodation, with day visitation from southern Ontario a consistent and ongoing phenomenon. However, Muskoka and Huntsville's distance from their main GTA catchment areas results in many visits turning into overnight stays. As shown in Figure 9, the number of overnight person visits to Muskoka over the last five years ranged between 2 and 3.2 million, with a low of 2.092 million in 2020 recovering to more than 3.1 million in 2022.

Beyond the overall trends of overnight visitation, the relationship between person visits and demand for accommodation of all types has shifted since 2018. In 2018 and 2019 approximately 30% of visits were spent in unpaid accommodation, typically with friends and family. In 2021 and 2022 this number was closer to 40%. At the same time, the proportion of visitors who stayed in traditional hospitality properties was reduced by almost half, from 12.1% in 2018 to 7% in 2022.

Renting a home, cottage, or cabin, which includes a variety of short-term accommodation types via Airbnb, VRBO, or other long-standing cottage rental and property management platforms, comprises an average of 44% of overnight stays over the period, with RV or camping facilities accommodating the remainder.

Figure 9: Person Visits by Accommodation Type in Muskoka



SOURCE: Ontario Ministry of Tourism, Culture and Sport from CBRE Hotels. For Illustrative Purposes Only.

This increase in competition from rented homes and cottages and the attractiveness of unpaid accommodation puts pressure on the traditional accommodation sector, which can lead to a compartmentalization of the market into different segments. On the one hand, there is demand for an attractive lakefront luxury experience that many have come to associate with Muskoka. This demand can be met at more resort-style, serviced and amenity-rich properties as well as higher-end STAs.

Conversely, more price-conscious hotel and motel offerings provide less space and privacy than many STAs but still provide access to local commercial and cultural destinations and Muskoka's attractive natural amenities. This segment is typically the home of branded hotels and motels, which can leverage recognition, economies of scale, and rewards programs to attract visitors while competing on price.

However, this segment does not directly substitute for the lakefront Muskoka experience; it provides access to it at a more economical price point. Combined with many STA options, these two segments leave a minimal and competitive middle tier. Huntsville is well represented by limited-service budget accommodation options and amenity-rich higher-end options, which leaves little competitive space for new entrants.

The Changing Role of Short-Term Accommodations

Short-term accommodations have grown in relevance in the accommodation marketplace. Initially positioned as a flexible option for owners to generate additional revenue on their underutilized residential properties, they have become businesses. Municipalities, including the Town of Huntsville, have been under growing pressure from the public to intervene in this growing marketplace, as the growth in STAs has happened concurrently with increasing housing unaffordability.

A better understanding of the STA marketplace and its relationship with traditional accommodation properties and local visitor economies is needed. For example, the Town of Huntsville's Short-Term Rental Licensing Program tracks 215 properties licensed as short-term rentals, accommodating stays of less than 28 days. However, data from DPGO, a third-party provider of STA data, identified 338 STA properties within the Town of Huntsville over the past year. This gap complicates estimations of the impact of STAs on other market segments and a full understanding of their role in the visitor economy.

Unlike other markets where STAs have seemingly come to dominate communities in relatively short order, Huntsville and Muskoka have a long history of second-home ownership and short-term rentals. Long before the online marketplaces that are the targets of regulation and public pressure existed, properties in the Huntsville area were rented seasonally to visitors through word of mouth, friends and family, or property management services.

The District of Muskoka's 2023 Second Home Survey estimated that almost 40% of area households are second or recreational properties. This figure is lower within the Town of Huntsville with Statistics Canada's 2021 Census concluding that 21% of Huntsville's private dwellings are not home to permanent residents. The Second Home survey estimated that approximately 11% of all the second homes in Muskoka are rented out at some point throughout the year, almost double the 6% rate estimated ten years prior in the 2013 Second Home Survey.

The almost 2,400 private dwellings in Huntsville that Statistics Canada identified as not home to permanent residents represent a significant potential supply of competitive inventory for any accommodation type, and particularly for the vulnerable mid-tier resorts or limited-service hotel properties. This vast potential supply complicates projecting the demand for specific sub-sections of accommodation facilities, as it can take years to progress from the planning to operations stage of a new resort commercial property, but only weeks for a property owner to decide to make their property available for rent.

3.0 Demand Assessment

3.1 Projected Overnight Visitation

To evaluate the market demand for a visitor accommodation property in the future we must understand the size of the potential market for these accommodation uses. Projections are always challenging and incorporate a variety of simplifying assumptions. Herein, we have built upon historical data on actual visitation and visitation by type of establishment from 2018 to 2022. The reason for using 2018 as a base year is a methodological change by the Ministry of Tourism, Culture and Sport and Statistics Canada in how establishments were classified before and after 2018, meaning the comparison between the two periods is inconsistent. 2022 is utilized as the last currently available year of detailed visitation statistics.

The key assumptions used to estimate future visitation and future visitation to traditional accommodation facilities are:

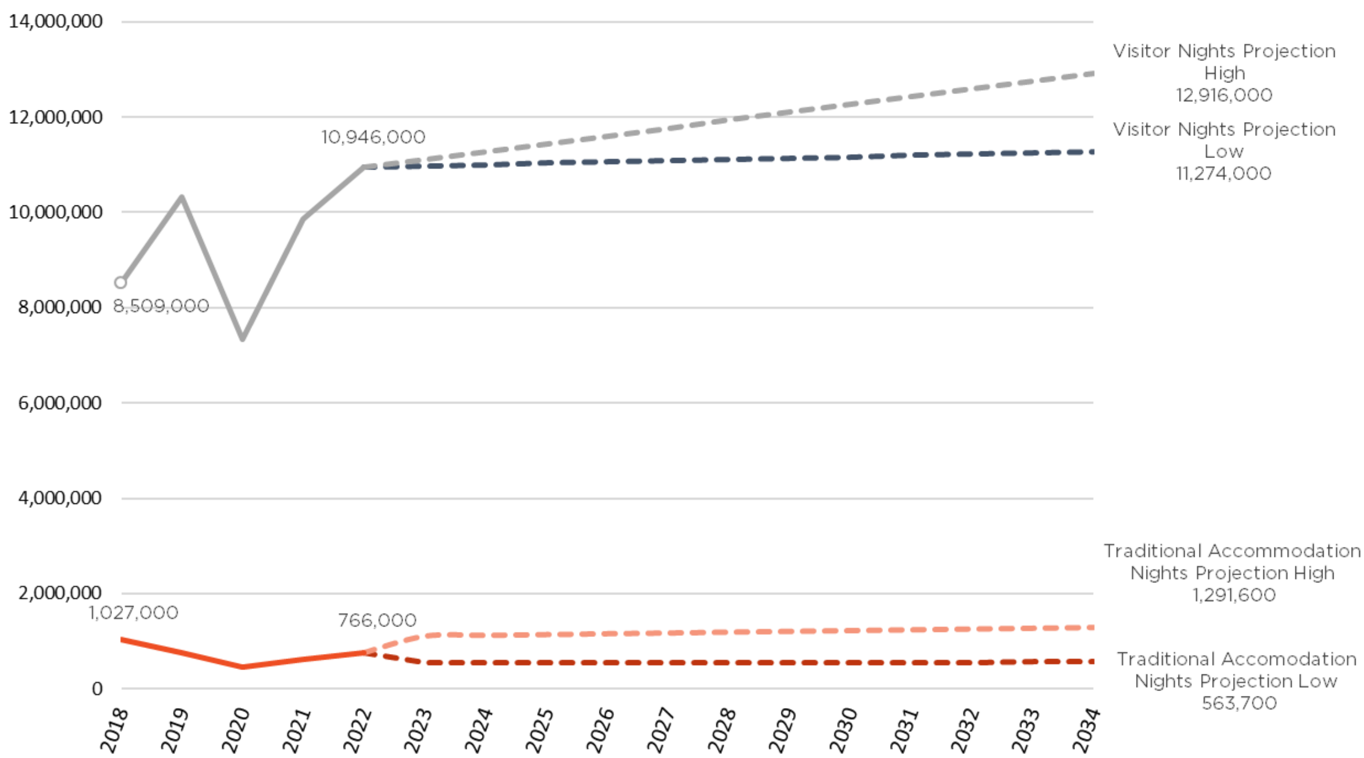
- Reasonable economic and social stability in the Muskoka Region and the Province of Ontario.
- Reasonable stability in the safety and attractiveness of the Muskoka environment and its associated ecological systems, notwithstanding the ongoing daily impacts of climate change.
- Ontario realizes the majority of its planned and projected population growth.
- Occupancy rates in the Muskoka Region increase to between 55% and 60%.
- Total visitation increases annually between 0.25% and 1.5%.
- The proportion of visitors who stay in traditional accommodations ranges between 5% and 10%.

In this context, we have used a variety of factors to construct different projection scenarios. Total visitation has been assumed to increase at either a Low Scenario growth rate of 0.25% per year (shown in Figure 10 by the blue dashed line) or a High Scenario rate of 1.5% (grey dashed line). The share of total person nights spent at traditional accommodation properties is held constant at 5% under the Low Scenario (dark orange dashed line) or 10% in the High Scenario (light orange dashed line).

It should be noted that a 5% capture rate for traditional accommodations is slightly below historical levels while representing a continuation of a clear downward trend, while a 10% rate is above existing market conditions and represents a demand shift back towards traditional accommodations.

These scenarios are not intended to predict the future but are meant to establish upper and lower bounds for visitation and traditional accommodation demand levels to inform an assessment of the market's ability to support new facilities.

Figure 10 - Muskoka Overnight Visitation and Projections



SOURCE: urbanMetrics inc., with inputs from CoStar Realty Ltd., Ontario's Regional Tourism Organizations, and CBRE Hotels.

As shown in Figure 10 above, visitor person nights in Muskoka could increase to between 11.2 and 12.92 million by 2034, representing a 3% to 18% increase from 2022. Based on the assumed market share of 5% and 10% of traditional accommodation, these facilities could see between 563,700 and 1.29 million person nights in 2034. This represents a significant range between a 26% decrease and a 69% increase from 2022 levels, respectively.

It should be noted that achieving a 10% market share and doubling overall visitation to traditional accommodation facilities would require fundamental changes in tourism patterns or a significant unforeseen increase in Ontario's population beyond expectations, which we consider highly unlikely.

Estimating Huntsville's Share of Regional Visitation

The most accurate data on visitation and market trends is available at regional levels, either aligning with the jurisdictional boundaries of the District of Muskoka or the bespoke boundaries of RTO12. The lack of detailed data at the lower-tier level complicates assessments of the relationship between supply and demand for visitor accommodation in Huntsville and the broader region.

Using the simplifying assumption that Huntsville's accommodation sector does not significantly outperform other segments of the Muskoka market, the Town's share of regional visitation can be estimated using comparisons to its share of total accommodation supply. As shown in Figure 11, Huntsville accounted for 11.6% of traditional accommodation establishments within RTO 12 in 2022 and some 37% of rooms in traditional accommodation within the combined District of Muskoka and Town of Parry Sound area in 2023. If Deerhurst's proposed development is realized, this proportion of rooms will increase to more than 44%

Figure 11: Approaches to Estimating Huntsville's Share of Regional Visitation

Accommodation Measure	Muskoka Region	Huntsville[1]	Huntsville Share (%)
Establishments[2]	240[3]	28	11.6%
Rooms	3,538[4]	1,317	37%

1. All Town of Huntsville counts from urbanMetrics inventory of traditional accommodation facilities (hotels, motels, B&Bs, resorts).
2. Establishments defined by Ontario Ministry of Tourism, Culture, and Sport and excluding RV Parks, Camping Facilities, and Hunting and Fishing Camps/Lodges.
3. RTO12 boundaries include Muskoka District, the Town of Parry Sound, and Algonquin Park.
4. Room counts correspond to the sum of CoStar Group's district of Muskoka submarket area and Parry Sound market area, to align more closely with RTO12 boundaries.

Based on a 37% share of rooms that could potentially increase to 44%, it is reasonable to conclude that Huntsville captures between 35 and 45% of regional visitation.

3.2 Accommodation Supply Capacity

To evaluate market outcomes, the potential demand for conventional accommodation facilities must be compared to the supply of facilities. Figure 12 highlights the potential for cottage resorts, hotel resorts, and hotel/motel building types to accommodate visitor nights. These occupancy rates and accompanying persons per unit estimates are based on industry standards, Ontario Ministry of Tourism, Culture and Sport data, and urbanMetrics' background research on Muskoka tourism.

As shown, with the existing supply of traditional accommodation facilities, the Town of Huntsville can accommodate approximately 412,800 person nights while maintaining strong yet reasonable occupancy. With the proposed expansion of Deerhurst Resort, Huntsville's capacity increases to an estimated 575,500 visitor nights.

Figure 12: Traditional Accommodation Supply Capacity

	Cottage Resort	Hotel Resort	Hotel/Motel	Total
Current Units/Rooms	82	571	664	1,317 units
Annual Nights Available[1]	182.5	365	365	913
Total Annual Unit Nights Available	14,965	208,415	242,360	465,740
Occupancy Rate[2]	60%	60%	55%	
Average PPU[3]	3.0	1.7	1.3	
Person Stay Capacity - Existing Units	26,900	212,600	173,300	412,800
Person Stay Capacity - Existing + Future Units	26,900	375,300	173,300	575,500

SOURCE: urbanMetrics inc., with data from CoStar Realty Ltd., Ontario's Regional Tourism Organizations, and Altus Group *Understanding the Waterfront Economy of Muskoka 05/06/2020.*
[1] *Annual nights available reduced to 50% for cottage resorts*
[2] *Occupancy rate increase assumes more robust performance of incumbents.*
[3] *PPUs from industry standards, Ontario RTOs and Altus Understanding the Waterfront Economy Report.*

As shown in Figure 13, with a 42.5% capture rate, Huntsville is overserved by traditional accommodation facilities under both the high and low 2034 visitation scenarios. Even under the unlikely high-visitation scenario, more than 26,000 excess visitor nights could be absorbed by existing facilities through further improvements in occupancy rates.

Figure 13: Huntsville's 2034 Share of Regional Person-Nights

	Low Visitation	High Visitation
Person Nights -Muskoka	563,700	1,291,600
Huntsville Share	42.5%	42.5%
Person Nights - Huntsville	239,573	548,930
Supply of Nights - Huntsville	575,500	575,500
Excess Supply	335,928	26,570

SOURCE: urbanMetrics Inc., with input from CoStar Group and the Ontario Ministry of Tourism, Culture, and Sport.

4.0 Economic Impacts

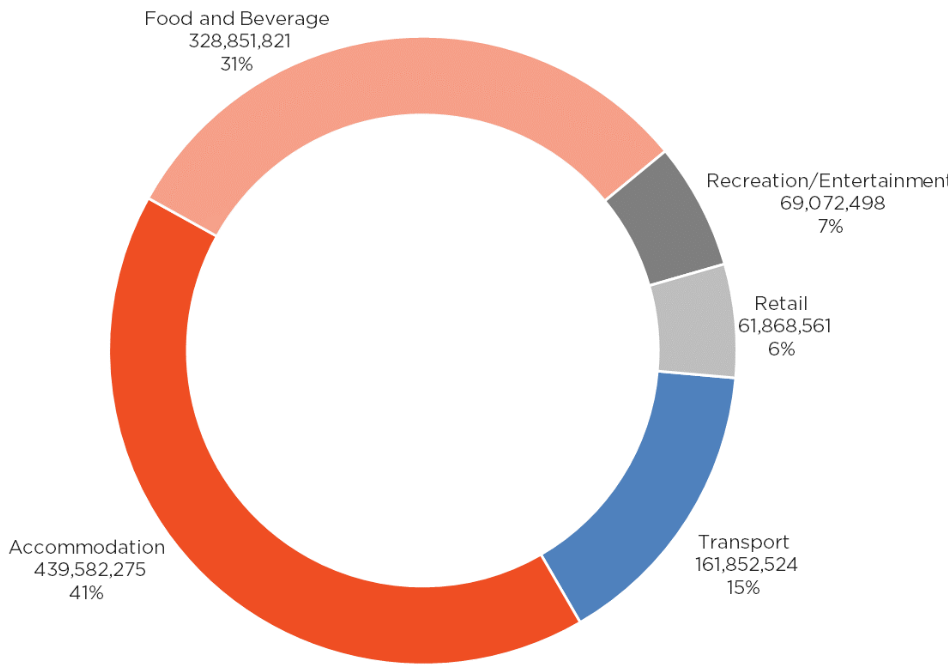
Beyond the market viability of a new visitor accommodation facility in Huntsville, we must consider the impacts of converting former resort-commercial lands to residential uses on the local tourism economy. As discussed in Section 2.3, the Muskoka tourism economy is driven by leisure travellers who stay with friends or family or rent private homes or cottages. Considering their accommodation preferences, this keystone segment of the visitor economy is better accommodated by residential than resort-commercial uses on the subject site.

This section discusses some key economic impacts of tourism and how they may differ between resort-commercial and residential uses on the subject site.

<u>Tourist Spending</u>

2022 data from the Ontario Ministry of Tourism, as shown in Figure 14, shows that approximately 41% of total visitor spending is on accommodation, while the remaining 59% is divided between Food and Beverage (31%), Recreation/Entertainment (7%), Retail (6%), and Transport (15%).

Figure 14: 2022 Tourist Expenditures in Muskoka



SOURCE: urbanMetrics inc, via RTO12 Profile by the Ontario Ministry of Tourism

Therefore, most visitor expenditures, which represent direct economic impacts, are not related to accommodation and are unlikely to be impacted by the type of accommodation chosen.

Clearly, these direct impacts would be reduced if there were nowhere to accommodate visitors and they chose to stay and spend their money elsewhere. However, more than 80% of visitors stay in privately rented homes or cottages or unpaid accommodation with friends and family, and there is an oversupply of traditional accommodation facilities relative to visitors' needs.

Economic Contributions of Own-Use Residential Properties:

In addition to the economic impacts of tourism through potentially hosting friends and family or being available as short-term accommodations, residential uses can provide other benefits as own-use seasonal properties contribute more to the Muskoka economy than visitor accommodations. This phenomenon is elaborated on in the 2020 report prepared by Altus Group for the District of Muskoka, *Understanding the Waterfront Economy of Muskoka: An Economic Benefits Analysis.*

Further, converting resort lands into residential units contributes to meeting housing needs, supporting Huntsville's economy by attracting permanent residents who work and purchase goods and services year-round. Unlike the seasonal nature of tourism, which has limited consistency in economic benefits, residential areas are more likely to impact year-round spending and support a wider range of local services and businesses.

Residential Units and Visitor Accommodation Supply:

As mentioned, residential units are a larger component of the supply of visitor accommodation facilities than traditional lodging options. Visitors to the Muskoka region prefer staying with friends or family or renting private homes and cottages over staying at traditional hotels or resorts, and this trend has accelerated over recent years. This preference underscores the integral role that residential properties play in supporting the tourism economy. Huntsville can enhance its attractiveness as a tourist destination by supporting more businesses and commercial offerings, leveraging existing infrastructure and efficient land use to accommodate seasonal and permanent residents as well as visitors.

5.0 Conclusions

In our professional opinion, current market conditions do not support the requirement for a 50/50 split between residential and resort commercial uses on the Subject Site. In short, visitor preferences for alternative forms of accommodation, challenges in maintaining resort-commercial operations through seasonal fluctuations, and a highly flexible supply of short-term accommodation severely limit the feasibility of the development of resort-commercial uses.

The proposed development would not eliminate the role of Grandview Village in the local economy. The proposed residential uses are likely to play a role in accommodating visitors to Huntsville through a larger part of the year than resort-commercial uses, either through stays with friends and family or through short-term rentals. In addition, potential future residents will also contribute to local spending.

- There is a misalignment between the supply of accommodation facilities and the types of accommodations visitors' demand. A large proportion of visitors to the Muskoka region choose to stay with friends and family. Among those who do seek out paid accommodation, there is a clear trend toward declining demand for traditional resort accommodations in favour of short-term accommodations.
- Short-term accommodations are an extremely flexible component of the accommodation supply. With more than 20% of Huntsville's private dwellings not home to permanent residents, this potential supply of competitive accommodations is a significant risk for any hotel development. These properties do not have the same overhead or financial requirements to manage the seasonal ebbs and flows as traditional hospitality businesses, as they can easily respond to demand and be used by the owner as recreational property in the off-season.
- More than 80% of overnight visitors to Muskoka stay in private homes and cottages, either staying with friends and family or privately renting. As such, residential units are a larger component of the accommodation supply than resort or hotel properties, and residential uses on the subject site could feasibly support more visitors throughout the course of a year than resort uses.
- Further, residential units are more likely to contribute year-round to the local economy through local spending that is less vulnerable to seasonal fluctuations. Combined with the accommodation preferences of visitors, by accommodating residents and visitors year-round, residential uses can

maintain or even enhance local spending resulting from residents and visitors to the subject site.

- The tourist economy in the Town of Huntsville is likely to capture more economic benefits from supporting flexible land use designations that allow residential uses in more locations. This would aid in meeting housing supply targets while delivering more of the facilities visitors prefer and better aligning land use policies with the evolving dynamics of tourism and residential living.

In conclusion, it is our opinion that the elimination of the requirement for a minimum of 50% resort-commercial uses aligns with local hospitality market conditions, the preferences of visitors to Muskoka, the housing needs of the Town of Huntsville and District of Muskoka, and ongoing efforts to mitigate seasonal fluctuations in the local economy.