



FORREC

FRIDAY HARBOUR RESORT EVALUATION MEMO

August 21, 2020

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Friday Harbour Resort Evaluation Memo

Introduction

In July 2020 FORREC Ltd. were retained by Friday Harbour Resort Holdings Inc. to review the resort amenity offering at Friday Harbour Resort, to benchmark the offering at Friday Harbour vs. other successful resort destinations and to propose new amenities, components & strategies for future consideration.

While the developer has previously commissioned other studies examining the offering at Friday Harbour through different lenses, including planning regulations and economic impact, FORREC's role is to observe the resort through the eyes of the guest: What will guests expect from a resort stay? What approaches have other benchmark destinations taken, both close to home *and* internationally?

This letter is a summary of our findings and observations following several brainstorming workshops, site tours and meetings with the Friday Harbour team and Town of Innisfil staff. In this letter we have put forward our opinion on two main questions:

1. Is Friday Harbour a Resort?
2. Will removal of the current Friday Harbour occupancy restrictions change its status as a resort?

About FORREC

FORREC is an entertainment design company that has designed some of world's most successful entertainment & leisure destinations and some of Ontario's most distinctive urban spaces. Based in Toronto, Canada with a history that spans 30 years, FORREC has built projects in 20 countries.

FORREC provides a full range of specialized services and expertise with five in-house studios: Creative, Architecture, Landscape Architecture, Interior Design, and Graphics. FORREC's extensive body of work includes projects in Canada, USA, China, India, South Korea, South East Asia, the Middle East, South America and Europe.

PART 1 – IS FRIDAY HARBOUR A RESORT?

Oxford Dictionary Resort definition:

a place that is a popular destination for vacations or recreation, or which is frequented for a particular purpose

Distinguishing Features of a Successful Resort

FORREC have been asked the question *Is Friday Harbour a Resort?*

While every destination is unique, in our experience there are several features essential to any successful resort:

- **Headline Attraction** – reason(s) to leave home & spend time somewhere else.
- **Curated Experience** – maximizing precious free time.
- **Menu of Amenities and Activities** – to satisfy the expectations of the guest.
- **Attractive Accommodation** – facilities & services to support the guest once they arrive.
- **Room for evolution** – to grow, adapt and stay relevant to the guest over time.

In the following section, we have evaluated the Friday Harbour offering against this list of distinguishing features, with a particular focus on benchmark resorts in the Ontario marketplace.

Headline Attraction

A successful resort needs a headline attraction (or several attractions), to create a ‘unique selling point’ – a reason for the guest to leave home, and a reason to choose that particular location rather than any other. Friday Harbour offers an unparalleled marina, a top tier golf course and a waterfront retail and dining boardwalk village.

In our opinion it is the Boardwalk, framed by and overlooking the marina and outward to Lake Simcoe, acting as the central hub of the destination, that is the true headline attraction of Friday Harbour. We are aware of only two successful resort villages in Ontario: Blue Mountain Village in the Collingwood area, and Friday Harbour. The success of each is driven by other headline attractions (skiing in the case of Blue Mountain, boating and golf at Friday Harbour), but a high quality and richly programmed village experience is a highly desirable, repeatable and multi-generational activity.

Firstly, the village acts as keystone of a destination: its concentration of dining, shopping and leisure options creates a dynamic atmosphere, bringing together diverse activities and offerings in a way that amplifies the impact of each component. Individually, the components of a village would likely not survive or thrive outside of a major metropolitan centre. But together there is a critical mass of activity that becomes a destination with its own broad appeal. The vibrancy of the village differentiates Friday Harbour from other Ontario resort destinations or hotels.

Secondly, the village acts as a gateway to one of the other headline attractions, Lake Simcoe. While boating is a popular activity, there are barriers to entry (including cost, skill, weather and time) and Friday Harbour overcomes this by also providing for other water-based recreational activities, like sea-doing, paddle-boating, kayaking, for example. The Boardwalk at Friday Harbour allows guests to experience the atmosphere and animation of a waterfront setting, packaged together with other dining and recreation options that provide enough interest and activity to make a journey from home worthwhile. The waterfront setting and market positioning differentiates the character and experience of Friday Harbour from Blue Mountain and from other dining experiences in the region.

The greatest challenge for a resort in Ontario is to become a destination with year-round appeal. Skiing and other snow sports tend to be the only outdoor attractors which can reliably attract visitors in winter months. Friday Harbour's natural assets are Lake Simcoe and the 200-acre nature preserve with cross-country skiing and snowshoeing. Its opportunity is to continue to leverage these assets to offer experiences, reliably and at scale. Most resorts in Ontario have focused on either summer or winter and then evolved over time to attract guests in the 'shoulder' seasons and on into the opposite season. This expanded offering usually takes time as the resort works to establish market presence in its primary season. Friday Harbour is taking steps to expand into the off-season periods and should continue to do so.

Conference facilities can play a role in 'topping up' off-season visitation, however without a year-round headline attraction, conference facilities will find themselves competing against others in the marketplace.

Curated Experience

The primary distinguishing feature of a successful resort is an overall guest experience that has met the expectations of its target market. Friday Harbour is an example of a master planned (curated) resort experience: the master developer and/or resort association have identified the expectations of their guests and set out to deliver an experience tailored to those expectations. The curated resort experience allows guests to maximize their free time – the offering provided by the developer has been carefully tailored to meet the expectations of the guest. Blue

Mountain Village and Deerhurst Resort are examples of successful curated resort experiences in Ontario.

The developers of Friday Harbour have identified a gap in the marketplace of leisure offerings of Southern Ontario, and are curating an offering of accommodation, dining, shopping, golf, water and nature activities for guests seeking to immerse themselves in a high-quality golf and boating resort setting. Additional attractions and activities could strengthen this offering, but should be added in the context of a ‘curated’ experience that is in harmony with the overall expectations of the target clientele.

It is our observation that the developers have carefully curated the guest experience of Friday Harbour to be markedly different than other developments in Ontario (i.e. far more extensive offering than standalone hotels and uniquely different than typical residential subdivisions), ensuring that Friday Harbour appeals to guests looking for a resort experience.

Menu of Activities and Amenities

At the core of the Curated Experience, a successful resort will provide an extensive menu of activities and amenities. These can be permanent activities like tennis and biking; dining options; guided group activities, classes & talks; or special events like concerts and markets. This diverse offering enhances the appeal of the headline attraction:

- Members of the same family or group may not all have the same expectations, everyone can find something of interest
- Additional activities create reasons for the guest to stay longer, to come more often, and to come at different times of year
- Additional things to do round-out the headline attraction: Boating may be the primary reason for a visit to Friday Harbour, but what to do if the weather is bad? A choice of great restaurants distinguishes a day of golf or boating at Friday Harbour from the same at another place.

In particular, food and beverage offerings are key to the resort experience: a broad range of high-quality restaurants is a ‘must-have’ for many guests. The historical model of ‘3 meals a day in the main dining room’ does not offer the variety or sense of discovery that will entice guests to leave home. The sizeable onsite accommodation base supports this F&B offering – without this onsite population and the developer’s vision as catalysts, it is unlikely such a collection of restaurants would be found outside of a major metropolitan centre.

Friday Harbour have developed an extensive offering of activities and amenities for resort guests and day visitors. This offering includes many of the ‘typical’ components guests would expect at a resort (swimming pool, tennis, fitness, etc.) but also many unique components (no other resort in Ontario has such an extensive choice of food and beverage outlets) and programmed activities (e.g. guided paddle

excursions, campfires, live music and games), all listed in the Resort's 'Activities Calendar' and weekly newsletter. The existence of Friday Harbour Resort Association further distinguishes FH from other resorts in Ontario; only Blue Mountain has a similar entity. FH Resort Association is responsible for year-round programming at the resort with events and activities. All unit owners and commercial operators are mandatory members of the RA and pay fees to fund the RA's operations.

Attractive Accommodation

Although many large hotels are thought of as 'resorts', hotel rooms are just one component of the resort experience. The resort industry has evolved to include countless combinations of dining, activities and services tailored to guest expectations, with an equally diverse offering of day visits, standard hotel rooms, rental apartments, real-estate for sale and boutique accommodation, each one allowing the guest to customize their own stay at the resort. Friday Harbour currently offers two broad types of accommodation: real estate for sale and units for rent, with a third type (hotel accommodation) planned in the near future.

Permanent onsite accommodation like condominiums and townhouses are often a hard-won prize for resort developers who must often first develop a day-visitor and then overnight destination before realizing market appeal for real estate. It is our observation that significant investment, risk, and a strong vision are required to make this leap – a golf course on its own, or a marina on its own, would not likely have created this scale of demand in such a short period of time. Friday Harbour provided these key resort infrastructure elements as a first phase of the development and in doing so, created a synergy wherein the whole is greater than the sum of the parts.

Room for Evolution

Any master planned development will need room to grow and evolve over time, phasing investment as their brand appeal grows and adapting in response to changing expectations and market fluctuations. If we look at the two established benchmarks in Ontario, Deerhurst Resort and Blue Mountain Village, they are 30 years (for the former) and nearly 20 years (for the latter) into their evolution. Both of those examples were unlocking value from existing natural assets in established destinations. Friday Harbour has spent 10 years building its headline attractions and has been operating for only 3 years. Its successes to date indicate the strength and market appeal for the vision of the project. The past performance and timeline of Ontario benchmark resorts tell us that developing a strong destination takes many years and also the ability to adapt that vision as the project evolves. A strong master plan is essential to guiding a large development like Friday Harbour, however that master plan needs to have flexibility for change in response to evolving guest expectations, market conditions and lessons learned.

Conclusion

It is FORREC's opinion that Friday Harbour is one of the top examples of a resort in Ontario, offering: headline attractions, a curated experience, a diverse menu of amenities and activities, attractive accommodation and room for evolution and growth.

PART 2 – Will removal of the current Friday Harbour occupancy restrictions change its status as a resort?

FORREC have been asked to comment on the occupancy restrictions which currently limit the number of nights a Friday Harbour property owner may stay in their unit.

While there are numerous aspects to this topic (some of them beyond FORREC's scope or area of expertise) at this early stage in our assessment we have identified one key concept to highlight here: the 'bed base' (the total amount of available accommodation in a resort) is directly related to the amount of amenities that a resort can reasonably (or profitably) offer.

In a virtuous circle, the greater the amount of amenities on offer (and the greater the number of people participating in them), the greater the appeal of the resort for both overnight and day-visitors. Typical stand-alone hotels can struggle to offer a notable variety of activities and amenities as there is not enough of an onsite population to fill them. While permanent residents often do not engage in activities as often as overnight guests, any greater onsite population will likely support a greater offering of amenities than would otherwise be found together in Innisfil. Public access to these amenities will continue to be a benefit to both the resort and the community.

We are not aware of any summer-focused resort in Ontario offering the variety of amenities, in particular the dining choices, currently available at Friday Harbour. Deerhurst Resort is perhaps the closest benchmark, offering 4 dining outlets. Friday Harbour has 8, including 3 full service restaurants and a boutique grocery store, with built space that will soon be home to new tenants. Furthermore, as Friday Harbour builds out, these offerings can be expected to expand. Blue Mountain Village currently has a larger offering, as it is supported by an established winter headline attraction and year-round visitation.

In our experience, usage caps like the Friday Harbour occupancy restrictions are often imposed where there is great demand for a particular headline attraction (e.g. downhill skiing) and the viability of its operation (e.g. running the ski lifts) depends on there being enough of a bed base to satisfy the demand. In other scenarios, a wider tourism economy of multiple stakeholders is heavily dependent on a bed base and a

usage cap ensures there are enough ‘warm beds’ to support that economy. We do not see either paradigm at work in Friday Harbour, in other words, we do not see the need for usage caps or occupancy restrictions.

Our understanding is that the occupancy restrictions may be having two impacts on the onsite population:

1. Forcing units to be unoccupied (and thus not contributing to the viability of resort amenities)
2. Weakening demand for new units (and thus the expansion of the bed base).

Our assumption is that current owners at Friday Harbour have chosen to ‘live a resort lifestyle’ – this is often a goal and hard-won victory for a resort developer – they must typically become an established day or overnight destination first. Ontario and international benchmarks mirror that pattern. That guests would now like to spend more time in the resort should be seen as confirmation of its success.

That said, the developer should be cautious of the phenomenon of ‘cold beds’ – if too many units are left unoccupied (cold) by their owners, then amenities can be hard to support. However our understanding is that the current rules do not restrict units from being left empty, therefore the success of the Boardwalk and amenity offering to date would suggest that additional units will continue to support the amenity offering and broad appeal of the resort. We do recommend that the developer pursue strategies to continue to strengthen summer visitation and broaden appeal to shoulder seasons and winter, in the interest of maximizing potential of the resort, but do not see the occupancy restrictions as a necessary component of those strategies.

Conclusions

It is FORREC’s opinion that the current occupancy restrictions do not make Friday Harbour a resort and that their removal would not change the nature of the resort lifestyle currently on offer. Furthermore, allowing unrestricted access to current and future units should increase onsite population, thus serving to strengthen and support the menu of activities and amenities on site, and enhancing the overall success and appeal of the destination.