

Worried your presale condo might be cancelled? Research the developer first



Sandra Jackson

cell 416-579-7862
SJ@SandraJackson.biz

 theglobeandmail.com

16/11/2017



With a sigh and hesitant pause, Jason Paris confides that in retrospect he wishes he'd done more research before putting down a deposit on the now-defunct Museum FLTS condominium project in Toronto's trendy Junction Triangle area.

The 43-year-old television production manager is one of hundreds of would-be homeowners who recently had their money returned and dreams dashed when the building's developer, Castlepoint Numa, cited lengthy delays obtaining the necessary approvals, building permits and financing, as reasons for the halt.

"If I had the knowledge I have now, then, I definitely would have researched Castlepoint further," said Mr. Paris, who subsequently found out that the developer did the same thing to other hopeful Toronto condo buyers a few years ago when another one its projects fell through.

While Castlepoint Numa said it's giving original Museum FLTS buyers the first opportunity and a discount on the next residential phase of its greater Lower Junction neighbourhood project, Mr. Paris points out that some buyers have been burned twice in a row by the same developer.

The best line of defence for prospective presale condo buyers seeking to mitigate any potential fallout is to do the appropriate due diligence on the developer before signing any contracts, experts say.

Unfortunately, there's not much that can be done to protect Mr. Paris and others like him who become the victims of a cancelled condo complex, Vancouver real estate lawyer Richard Bell said.

"It does happen in various scenarios, particularly if there's a significant downturn in a market over a short period of time. So really, people are at risk," said Mr. Bell, who works for law firm Bell Alliance.

The bottom line? Do your homework, Mr. Bell said.

"Who is the developer? What have they built previously? A new developer entering the market place is going to greater risk in a situation for a buyer than having a very experience developer in the market place."

The key advantage of using seasoned developers is that they have a name and brand to protect, Toronto real estate lawyer Mark Weisleder said.

"I have heard of situations where the builders have cancelled the deal and then turned around and then resold units at a \$100,000 more each, and there's virtually nothing that the original owners could do because there were lots of clauses in the contracts that allowed builders to cancel," Mr. Weisleder said.

"But you will find that reputable people, people who have been around a long time, they don't do that. When they plan a development and plan units, they're expected to complete. They price accordingly and they complete."

Keep in mind, Mr. Weisleder added, that even in Toronto's increasingly competitive condo market – where the average selling price for a unit is about \$523,000 – approximately 95 per cent to 97 per cent of developments will see completion. According to real estate consultancy Urbanation, 23 condo projects have been cancelled in the city since 2012 – five of them in the past year.

Mr. Paris believes he is luckier than some because he only got involved with the cancelled condo project in February, when he signed a contract and handed over his deposit.

"Some people had their investment off the market for a year and a half. I'm off the market for nine months," he said.

"But in a crazy property market like Toronto, those nine months are really going to make a huge a difference on what I can afford going forward."

ROYAL LEPAGE

Sandra Jackson

cell 416-579-7862
SJ@SandraJackson.biz