Housing market demand depends on location

BY ALLISON LAMPERT, THE GAZETTE AUGUST 7, 2012

Ma Condos – located in Le Triangle, near the Namur métro station – offers excellent value for its location, says Jordan Dermer, a managing partner at CD Capital Partners. Montreal plans to revitalize the area w ith a $55 million infrastructure injection next spring. Projects include bike paths, parks, street lighting, pedestrian areas and public spaces.

Photograph by: CD Capital

Analysts forecasting a drop in Montreal condo prices. New unsold condos piling up in Toronto. Vancouver home resales falling to the lowest level in July since 2000. The headlines appear grim, when it comes to the housing market in Canada's three largest real estate markets. While concerns about condo overbuilding are not lost on developers, demand still exists for mid-priced projects near public transit and other services, says Jordan Dermer, a managing partner at CD Capital Partners, which has real estate projects in Toronto and Montreal.

Dermer, a native Montrealer who worked in asset management and office leasing at the former Trizec Properties, tells Gazette real-estate reporter Allison Lampert how he chooses his projects and where he suspects there may be a surplus of new condos.

Q: How do all these reports/media articles influence your decision to go ahead with, or back away from projects?

A: All of these reports and statistics force us to be as disciplined as possible in our underwriting of projects. The numbers need to work with reasonably achievable assumptions and if you have to be aggressive with your timing, costs and revenues to make a project look good on paper then it's the wrong project. Developers typically like to have a Plan B so that if they miss a cycle there are options to mitigate the risk and/or hold the property until the next cycle. Examples of this could be the phasing of a project, leasing an existing building or operate a parking lot if the entitlement exists. A developer's ability to manage risk well will be a virtue in these uncertain times.

Q: How many opportunities really still exist in Montreal and Toronto, despite the concerns regarding overbuilding in both markets?

A: At this point we will be patient and wait for the right opportunities as we have enough in our current development pipeline to keep us busy for a while. Location, public transport, demographics, price point and competition are all highly important factors in assessing a site.

In Montreal, Ma Condos – located in Le Triangle (near the Namur métro station) – was an opportunity to invest in an area that offers excellent value for its location (priced in the range of $300 per square foot). The city of Montreal has also recently announced its intention to invest in excess of $55 million in the revitalization of Le Triangle (infrastructure, bike paths, parks, street lighting, pedestrian areas, public spaces) starting in Spring 2013.

In Toronto, we have a large project at Yonge and Eglinton, which is a great example of an area that irrespective of cycles will continue to flourish over the long term because people of all ages will continue to want to live there. With the new Crosstown LRT to be completed by 2020, the Yonge-Eglinton node will have the best public transportation of any area in the entire city. The area also benefits from great retail, office, services and restaurants and there are several projects in planning, including ours, which will increase the retail offering tremendously with even the talk of a major shopping centre to be developed on the southwest corner of the intersection.

Q: We've heard a lot of recent announcements for new condo projects in Montreal, and are expecting a few new ones in Toronto. How many of these projects will actually come to fruition?

A: The easy answer is that these projects are achievable when presales are at 70 per cent and a bank is prepared to finance the construction. I cannot predict how many of these projects are actually achievable, however I think that those developing in the high-end markets in Montreal and Toronto should be cautious as I believe a surplus may be developing in both markets.

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