

Cresford receivership crushing for condo buyers

Pre-construction purchasers worry they will never get to live in the homes they bought from Cresford Developments after three projects went into receivership March 27.

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Irene Bao has let the dream of owning a downtown Toronto condo comfort her through her academic challenges and down days for four years.

The PhD student from China, was proud to have saved enough money to buy a home in Canada's largest city with money she earned from a fellowship and tutoring jobs.

"That was all the money I have but I was super happy about it," she said.

For Bao, 28, the one-bedroom condo represented more than property. It was hope.

So she was heartbroken to learn on Tuesday that the Halo condos on Yonge Street near Grosvenor Street, where she purchased a pre-construction unit in 2016, was among three Cresford Developments projects in receivership.

Also under receivership are Cresford's 33 Yorkville Ave. and its Clover condos on Yonge Street near Wellesley Street.

The three developments were supposed to have about 2,000 units combined. According to court documents filed on the PricewaterhouseCoopers receivership website, the builder took in about \$212 million in deposits on the three properties.

Buyers like Bao, who has paid \$80,000 toward a condo, worry that they won't get their money back.

But deposits on pre-construction homes are held in trust, according to Ontario's homebuilding regulator Tarion. When a project is cancelled, the

seller is supposed to return the deposits. If they don't, the buyers are entitled to up to \$20,000 under the Ontario New Home Warranties Plan.

The buyers have been asked to forward their names and details to the PricewaterhouseCoopers. But it's not clear how long the receiver will take to decide what becomes of the Cresford properties.

"No decisions have been made in respect of pre-construction contracts Once a decision has been made, condo buyers will be contacted by the receiver regarding the status of these contracts," said an email to the Star from a spokesperson.

Deposits are insured by third-party companies but the receivership process can be lengthy, said lawyer Lisa Corne. Some purchasers will still want to use those deposits toward the purchase of a completed unit. Others will want their money back.

"There's a real need for funds at the moment," said Corne, referring to the people who are out of employment and other income at the moment because of COVID-19.

Corne represented some buyers in the Urbancorp insolvency about four years ago, which stranded pre-construction buyers who had been waiting years for their new freehold homes and condos.

She said there are some key differences for the Cresford buyers.

"We're now in a declining real estate market which changes the shape of the game. We're also in the middle of a huge health crisis. There's a lot of uncertainty," said Corne.

"Purchasers who have already bought into this development who want to stay in this development are in a much stronger position than (Urbancorp buyers) were five years ago," she said. Back then, the market appreciated while they were waiting for their townhomes and condos to be built so many lost their footing on the property ladder. They lost the use of their money for years.

Because the COVID-19 crisis is expected to trigger an economic recession, it's possible that if the receiver decides the projects should be sold to another

builder, they won't have much to gain in re-marketing the same buildings at a higher price, she said.

The receiver's other potential option is to complete the construction and the sale of the individual units, which happened in one Urbancorp condo project.

But that development was 90 per cent completed. Of the three Cresford projects, only the Clover is in an advanced stage of construction.

In the Urbancorp example, Corne said banks agreed to fund the completion of the project by the receiver and the sale of the units to the pre-existing purchasers. Those terms were renegotiated but still favourable to the purchasers.

Although condo buyers would rank behind secured creditors, who hold the mortgages to the properties, they would come before equity holders, she said.

Purchasers like Bao say their experience undermines the whole pre-construction industry in Toronto.

"If Cresford can do this, then that means other builders can do this," she said. "Who is going to buy pre-construction?"

The buyers are connecting on chat sites to explore their legal options and support one another.

An online petition calling on the Ontario government to protect pre-construction home buyers had about 500 signatures on Friday afternoon.

Bao says she would pay another 10 or 15 per cent if it meant she could eventually move into the condo she contracted to buy. But that is as much as she can afford.

"All of us are just stunned to receive that notice because Cresford is supposed to be reputable, it's supposed to be luxurious, so we were really, really surprised," said Yiyang Li of Toronto, who is among a group of buyers into 33 Yorkville Ave.

They are interviewing lawyers to represent them with the receiver, he said.

When Li bought his one-bedroom unit in September 2017, buyers were lined up at a Yorkville hotel to purchase those units, he said. He waited about eight hours to buy the approximately 560-sq. ft. unit with a balcony where he planned to live.

“At the very least, we expect our deposits to be returned,” said Li.

“A lot of us are hoping once PricewaterhouseCoopers sells the project to someone else, they will still honour our contracts instead of getting the court to cancel all the purchase contracts. Some of us are hoping to get some compensation for the value the condo has appreciated,” he said.