

OAKVILLE  
TO  
ARIZONA,  
WINDSOR  
TO  
WEST PALM

Many builders in the GTA have diversified



Mady Development Corp.'s project in Naples, Fla.: Local style, local oversight

by LISA VAN DE VEN

Monarch president Brian Johnston is used to giving house tours. And when his counterparts from the United States are here on a visit, he knows exactly what they'll want to see. Basements.

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Monarch, a subsidiary of British company Taylor Woodrow, builds communities under that name throughout the United States. But one thing that's different about the homes they build here are the basements. In such places as Florida, California, Arizona and Texas - where Taylor Woodrow's American branch operates - basements are rarely found in low-rise homes. In the greater Toronto market, though, they're a norm, because builders must dig below the frost line for stable foundations. In sun-belt states, they have no such issue.

"I always find it amusing when people come up from the States, or even the U.K., they always want to go look at our basements," says Mr. Johnston. "We're like, 'There's nothing down there ... but if you guys want to go down and look, that's fine.'"

Basements aren't the only thing differentiating the various housing markets in the United States with that found here in the GTA. Many local developers have found themselves doing business south of the border, opening subsidiary offices and trying their hand at the opportunities there. And they've found that each specific area has its own rules - and that the U.S. housing market is a different entity altogether from ours. Still, developers continue to straddle the border, looking to build their business by reaching new markets in growing areas.

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It's all about diversification, says Charles Mady, president of Mady Development Corp. Now based out of Toronto, Mr. Mady's company started in Windsor 31 years ago. In 1991, he opened a secondary operation to tap the growing housing market in Dallas and now develops properties in Chicago and Naples, Fla., as well. Each market is different, Mr. Mady says - and that's why he's built his business the way he has. His company is less dependent on the peaks and valleys of one city's housing market.

"The reason we've expanded like that is because we're opportunity driven - most real estate developers are. You go where there's opportunity," he says. "It's just our own form of geographic diversification."

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Maracay's Ocotillo Landing in Phoenix, one of many of Ken Fowler's developments underway there.



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Frank Giannone, president of Fram Building Group, says diversification makes sense in a business that's known for its highs and lows. Besides its work in the Toronto area - such communities as Trillium Lane in Mississauga, The Shipyards in Collingwood and The South Slopes of Riverdale Farms in Caledon - Fram also develops projects in Detroit and Dallas. Each market has a different cycle of booms and busts.

"Right now, Toronto, of course, is a very strong market," Mr. Giannone says. "Detroit's doing reasonably well and Dallas is doing reasonably well. Through the early '90s and the year 2000, Dallas was hotter than a pistol - the majority of our work was Dallas-based. And then towards the end of the 1990s, Detroit was very strong as well, while Toronto was starting to come out of its doldrums."

Like Mr. Mady - whose non-Toronto ventures are managed by close family members and long-time trusted employees - Mr. Giannone has put Canadians in charge of both his Detroit and his Dallas ventures, people who worked for him here before moving south of the border. That allowed for continuity, he says, and ensures someone he trusts is in charge and maintains a constant presence in each market. Mr. Giannone travels to both locations frequently.

Since each market is so different, having someone present locally is important for a Toronto company looking to develop in the United States. Trying to operate businesses in the U.S. from Canada wouldn't work, says Hugh Macklin, project manager with developer Schickedanz Bros. "You



The Landings is a waterfront recreational community with yacht tendering.

have to run it from down there. You cannot be successful and run it from here," he says. "It's not something you can just do flying back and forth; you need to have people living in the community. It's generally a seven-day-a-week job."

Schickedanz, which is currently developing the Ballantrae Golf & Country Club adult-lifestyle community north of Toronto, has been developing condominium properties in Florida since the mid-1970s. The main difference between developing there and here, says Mr. Macklin, is the length of the development process - here, he says, more government restrictions make for a lengthier and more expensive process.

"Over the last 20 years, it's become very restrictive in Canada due to government controls and government regulations, and the development process is very long and very costly, and sometimes you're successful and sometimes you're not," he says. "So in comparing Canada to the United States, depending on where you're located, the process for development could be as little as a year or two in the United States, or it could be [in the case of Ballantrae] for example, [about 15 years]."

That shorter and less costly development process, combined with land prices - which can be cheaper for developers in certain areas of the United States - can lead to more affordable product for buyers. So says Ken Fowler, president of Ken Fowler Enterprises - the company behind Red Leaves in Muskoka - and director for Maracay Homes in Arizona. An award-winning developer in Phoenix, Maracay will generally have as many as 15 developments underway at one time there, most of them low-rise subdivisions, since the market for condominiums in Phoenix is not as strong as for single-family homes. Homes in his Phoenix communities - which include Ocotillo Landing and Desert Pass at Sonoran Foothills - generally range in the 1,700 to 4,000-sq-ft. range, on lot sizes that start at around 50 feet and for prices

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Sea breezes welcome: A rendering of a bedroom in The Landings.





Fram's Mayfair condo in Dallas features 150 "super-luxury" units in this 23-storey building.

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that run from US\$150,000 to US\$750,000. "These are full houses with double garages," Mr. Fowler says. "Land is probably more reasonably priced down there."

Just outside Detroit, in the suburb of Novi, Mr. Giannone and Fram are selling townhouses in the 1,300-sq.-ft. range at their Meadowbrook site, for an average price of about US\$250,000. In the Dallas-Fort Worth metropolitan area, meanwhile, Mr. Mady has ranch-style homes designed for first-time buyers at about 1,200 sq. ft.; built on 50-foot lots, they start at around US\$100,000.

Taylor Woodrow, on the other hand, is building townhomes at its Spyglass Hill site in San Jose, Calif., that are similar in layout to Monarch's Neighbourhood Gardens in Scarborough. But the prices, says Mr. Johnston, are quite different. While the homes are selling in the high \$200,000s in Scarborough, in San Jose a 1,200-sq.-ft. two-bedroom townhouse is on the market for US\$505,000, and homes range up to US\$597,000 for a 1,519-sq.-ft., three-bedroom townhouse. "So you're talking about a product that's relatively the same, very similar, but double the price in the United States," Mr. Johnston says.

In the sunbelt areas where Taylor Woodrow builds, he adds, house prices have shot up in the past few years. And so have

developers' profit margins. "The builders down in the United States are making a hell of a lot more money than we are up in Canada, certainly in the Toronto area or the Ontario market," he says. "If house prices have gone up - in places like Florida for example, house prices have gone up 25% - inputs, which are land and construction costs and labour, have not gone up 25%."

Land prices for oceanfront property are especially high in the Florida market, says Bobby Julien, president of Kolter Communities. In addition to its Toronto business - which includes Waterclub on the harbourfront and an upcoming site at Bayview and Eglinton - Kolter has focused its attentions in the United States on the Florida market. The company sells condos in such cities as West Palm Beach for between US\$400,000 and US\$5-million, in projects such as Two City Plaza, San Madera The Gardens and Evergreen Lakes in Coconut Creek. Often, these are second homes for people from Canada and other parts of the U.S., with a large percentage of their buyers coming from New York. "I think Americans are very lifestyle-focused, so I think they definitely spend the money," says Mr. Julien.

Of course, they also want more for that money. Condominium buyers at his Florida projects are looking, on

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average, for bigger spaces than those buying suites in Toronto, the developer says. "A 1,500-sq.-ft. apartment here [in Florida] is average to small - that's the way people view it," he says. "Things are just bigger - you couldn't get away with the smaller sizes. They're willing to pay for it, but they want larger square footage."

In addition to its condo developments in Florida, Kolter is also putting together a low-rise country-club development in the state's Port St. Lucie community. PGA Village is being developed with PGA of America as a golf club and learning centre, surrounded by single-family homes, townhomes and golf villa-style accommodations that start in the US\$400,000 range. Golf-club communities are popular throughout the United States. "Let's say in the U.S. in 2005 they'll build about 150 golf courses," Mr. Julien says. "Probably about 60% of those golf courses will be part of a country-club community. So it is quite popular, and it really drives a lot of the golf."

Not everyone is buying in the U.S. though. The recreational community, The Landings St. Lucia, is on the island of St. Lucia, and has been attracting a range of buyers, including purchasers from the United Kingdom. The project offers waterfront homes for full-time use, recreation or investment - when not using them, buyers can put their units into a rental pool for additional income. The homes are priced from approximately US\$500,000 to US\$1.5-million. "[The government of St. Lucia is] extremely keen on good-quality tourist development, because that is its economic base," says Toronto-based businessman Frank Heaps, founder of the Upper Canada Brewing Company and president of development firm The Landing Ltd. "They don't



Fram's low-rise mixed-use conversion in downtown Dallas.



Kolter's City Plaza in West Palm Beach.



PGA Village in Port St. Lucie is a golf-lover's paradise.

rubber-stamp everything that comes along, they're extremely environmentally conscious and they want a good deal for St. Lucians."

The Landings St. Lucia will be a high-end resort, with concierge service, yacht tendering, restaurants, bars, tennis courts and pools. "We decided we were going to go five star, five diamond, in every respect," says Mr. Heaps. "It is extremely high-end in terms of the design and the size of the units."

Looking to build on his American business unit, Mr. Fowler is also planning a high-end resort community in Arizona. Located next to the famed Boulders resort and golf club outside Scottsdale, the site will be similar to - though smaller than - his Red Leaves project in Muskoka. The development, called Boulders Villas, is still early in the development process. But, Mr. Fowler contends, "It's going to be very unique."

Like Toronto and its surrounding areas, though, markets throughout North America - whether you're selling high-end recreational units, condominiums or low-rise homes - can be very competitive, Mr. Fowler adds. Developers coming in from Canada have to be able to keep up in the individual markets they're trying to conquer.

"You've got to be good, you've got to be very aware," he says. ■