

# Getting in on the ground floor

**If you've decided to buy a pre-construction unit and want to make sure you're getting in early to take advantage of the best prices and options, you need 'VIP' access. Here's how to get it**

*By Chad Bradley*



**H**ave you ever been to a grand opening of a new condo development only to find out most of the best suites have already been sold? How can this be when it's the 'grand opening'?

The real question is 'which grand opening is it?'

When a new development is announced, there are usually several sales launches and, depending on which one you attend, it has a significant effect on what suites you can purchase and at what price. In fact, you can end up paying more per square foot for an inferior suite with a less desirable view than a better unit that was sold just a few days before.

Typically, when a new condo project is released, it goes through several stages of selling before the general public has a chance to purchase. Developers usually have their own list of realtors and client 'VIPs' to whom they offer the first block of suites.

VIP agents are those who have built a relationship with the developers, such as through involvement in previous projects by the same builder. For investors looking for the best deals, connecting with one of these VIP realtors could be a great benefit to buying early and cheap, and thus maximizing your investment.

In a very hot market, prices can increase several times during the initial stage, and as the building sells through each stage, prices continue to escalate to reflect growing demand. Even in times of market cooling – such as we're currently seeing – the line-ups may not be as long, but this method of incremental up-selling is used to ensure the preferred clients get 'first-in-line' treatment.

Sometimes, in more challenging markets, developers sweeten the deals with additional upgrades such as appliances and finishes (*Canadian Real Estate*, February, 2009), but the practice of offering 'advanced,' 'VIP' or 'early access' sales as a way to create a pre-launch buzz continues.

So, if you've decided to buy a new, pre-build unit 'off the plan', compared to purchasing an existing condo – as

an investor – the key to getting the best value and suite is to buy as early in the project as you can. There’s still some risk in this approach, mind you, since it’s not unheard of for projects to fail to go ahead due to insufficient sales, or take longer to complete than planned.

Some of the hottest projects have been sold at the best prices before the developer even builds a sales office – often well before the general public even knows about it. Investing in real estate follows the same principal as any other type of investing – buy low, sell high – which is why it’s important to buy early, when suite prices are at their lowest. In some cases, buyers who purchase early have already made 10–20%, on paper at least, compared to the prices when they’re offered to the general public.

The increase in prices for each stage of a new development is directly related to demand and how many suites have been sold (sometimes it can change by the hour). Prices don’t increase across the board. For instance, if a building’s one-bedroom suites are proving popular and selling quickly – say, because the project’s location is especially appealing to single people – the developer may increase the price due to the strong demand. Neither is there a set average increase at each phase, but 4–5% is common in a high-demand building for the initial two or three phases, then tapering off.

For example, ‘Building X’ (we can’t mention the specific condo for competitive reasons, but this is a real, live project in a major Canadian city) is being released in several phases. The average price per square foot is set at \$420, so for a 640-sq-ft unit, the starting price amounts to \$268,800.

### VIP or not?

Questions to determine if your prospective realtor has VIP access

1. How many suites in the building I’m interested in have sold?
2. How much have the suites increased in price?
3. What stage in the launch are they currently at?

If the agent truly has ‘VIP’ access, the answers should be clear and direct

- **Phase 1:** Developer’s friends and family, and VIP agents who have dealt with the developer and sold several suites in the past. At this stage, prices would start at \$268,800
- **Phase 2:** VIP agents who have a known track record of selling numerous suites. At this stage, prices would typically increase 4% to \$279,550
- **Phase 3:** Broker event, when all the realtors are invited to bring their clients. Prices would typically increase another 4% to \$290,750
- **Phase 4:** Potential buyers who have pre-registered with the developer online. Prices increase a further 4% to \$302,000
- **Phase 5:** General public ‘Grand Opening.’ At this stage, the prices would typically increase an additional 1% to about \$305,000

It’s important to remember that the suites that go for \$420 per square foot are the very first ones sold in the building. Prices go up as the sales progress, but the choice of the units diminishes. This means buyers, and you as an investor, might pay several

thousand dollars more for the exact same layout on a lower floor which might have a lower resale value once the building is completed if, for example, it doesn’t have as nice a view.

On top of the price advantages when buying early, there are often other incentives, such as rebates of 1% off the purchase price; reduced assignment fees; and parking spots at discounted prices. Some developers even offer their VIP buyers free vacations.

So, the million-dollar question remains: who are these VIP agents who can grant you such access? And, how do you find them?

‘VIP’ is a term often used loosely in many industries these days to make clients feel as if they’re getting special treatment. In the real estate business, it’s common for realtors to boast of ‘VIP’ access in their advertising. But VIP is actually how developers refer to their list of realtors and clients. So, in a way, there’s no such thing as a VIP agent, since every developer has their own list.

To determine if your prospective realtor truly has VIP access to a specific project, instead of asking ‘Are you a VIP agent?’, ask them how many suites of the building you’re interested in have sold. Ask how much the suites have increased in price. And ask what stage in the launch are they currently at.

If you can’t get straight answers to these questions, it’s safe to say that realtor doesn’t have VIP access. ■

Chad Bradley is a sales representative with Coldwell Banker Terrequity Realty, Toronto

**Multi-Residential, Condominium and Commercial Property Management**

Full service management solutions.

**We take the stress out of:**

- Maximizing occupancy
- Maximizing your revenue stream
- Minimizing resident turnover

www.ssuite.ca

Kitchener: 519-568-5693

Hamilton: 905-543-4393

Find out how we can help you. Call today.

**S.Suite**  
Property Management