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Some developers shifting to rentals as condo market softens

Number of completed but unsold condos in Ottawa hit 435 in May, up from 10-year average of 155

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Ashcroft Homes is constructing this rental building that's now being marketed to students. (Kate Porter/CBC)

The frenzied condo-building boom in Ottawa appears to be waning and in its stead some developers are changing their plans to target renters instead of buyers.

In recent months the Canadian Mortgage and Housing Corporation (CMHC) has reported a lot of supply but less demand for condos in the city, and it has also noted that builders have scaled back on starting new projects.

Ben Myers of Fortress Real Developments said a few years ago a condo project launch in Ottawa led to brisk sales.

Now he says there's an oversupply of units and investors who once snapped them up are no longer as interested.

In June 2015, the CMHC reported that builders were scaling back on condominium apartment starts due to the tepid demand.

In May the number of completed and unsold condos in Ottawa reached 435, up from the 10-year average of about 155.

The market shift led Myers's company to change its plans for a 21-storey condominium tower on Bronson Avenue, instead constructing a rental building.

'There's a guaranteed demand'

"We felt we needed a change because we didn't want to go through a prolonged pre-sale process and build a sales office and all that fun stuff if the sales weren't there," he said.

The building's units will instead be marketed as higher-end rentals.

Elsewhere, near Dow's Lake, Ashcroft Homes is constructing the first of two towers geared toward renters.

Ashcroft's CEO, David Choo, said even if the condo market had remained strong he still would have targeted students at Carleton University, which is just an O-Train stop away from the site.

"I think more and more you're going to find that students are looking for better accommodation," he said.

Choo's company will act as the landlord of the first tower, and the units will be sold to would-be condo investors with a new twist to the pitch: buy a unit and Ashcroft will find tenants.

"There's a guaranteed demand and the demand doesn't really fluctuate with the economy, so you get a great return on your investment," Choo said.

The buildings remain zoned as condos so developers can change their plans if the markets shift again.
