

Sticking to Principles

Real estate developer succeeds with strict adherence to discipline, entrepreneurship



Thomas Jefferson said, "In matters of style, swim with the current; in matters of principle, stand like a rock."

This saying is true about government, politics and culture. Beaux Properties, a third-generation family real estate investment and development company operating successfully across North America, shows the adage applies to the business world.

"We have the time-tested ability and approach that my grandfather and father had," says Jason L.S. Birnboim, President of Beaux Properties. "We do deals where the downside is relatively protected and manageable and the upside is exponential."

Standing by that principle has been the road into the top tier of real estate investment and development.

The core segment of the firm (based in Toronto, Ontario) is multifamily residential, although the firm has actively participated in the hotel, office, industrial and retail markets, as well. Beaux Properties' primary emphasis is acquiring, developing and managing income-producing properties.

"We actively engage in acquiring income-producing assets that meet our rigid investment criteria," Birnboim says. "We're also looking to deploy risk capital in investment opportunities where we see the risks to be far less than the rewards we intend to generate."

This approach has resulted in thousands of multifamily residential units and other investment holdings across Toronto, Ottawa, Calgary

Beaux Properties

PRESIDENT
Jason L.S. Birnboim

LOCATION
Toronto, Ontario



and British Columbia, in Canada, along with New York City and prime oceanfront development land in the Bahamas.

"Beaux doesn't do deals for any other reason than to generate superior risk-adjusted returns," Birnboim says. "A lot of organizations are looking at the same assets and opportunities but for other reasons. That's not our model. We need to be a lot more careful where we deploy our capital."

UPSIDES AT 101 ERSKINE

In midtown Toronto, 101 Erskine is one of those "assets and opportunities" with more upside than downside. The 32-story, 420-unit condominium tower has garden suites and townhouses at ground level. Once completed, the condominium will feature impressive fixtures and finishes, including energy-efficient appliances, granite and quartz countertops and stainless steel under-mount sinks.

The development is important for many reasons, chief among them being what it says about Beaux Properties' future.

"[In the past], we primarily acquired existing properties, repositioned them gradually and managed them. We didn't develop them," Birnboim says.

Although Beaux Properties had partners in the past, 101 Erskine involved a conscious decision to enter into a complex joint venture to expand the firm's business model. Condominium development is an intensive, active business that is specialized and requires competence in all areas of construction management, sales, marketing and land use planning.

"That's not our in-house skill set," Birnboim explains.

The company decided that the best way to maximize the use of this prime piece of property was to bring in the Tridel Group, which Birnboim says is "the most reputable condo

builder in Toronto," as a partner. In other words, instead of developing new, complex and expensive skills in-house, the company chose to hedge its bets "by partnering with an established player like Tridel."

According to Birnboim, the joint venture experience with Tridel serves as a template for future deals.

"I would say the future at Beaux will be more of the same consistent growth trajectory and discipline of the last three generations but with a strong emphasis on larger deals as we enhance our internal capacity for development and continue to look for larger joint venture opportunities that effectively use our own resources, as well as our access to capital," he says.

MOVING QUICKLY

The team at Beaux Properties is consciously aware of how many large, competent and successful investors and developers have taken hits because they grew too much, leveraged too much or grew too quickly in recent years.

"We are mindful not to be in that category," Birnboim says. "I like our size. We are compact as an organization, and it gives us flexibility to do deals and pounce on opportunities quickly."

For all of those reasons, the future looks bright for Beaux Properties. The company is actively pursuing, with a local partner, very large multi-family residential opportunity in New York City.

Birnboim also foresees a future beyond high-rise condos and apartments. The firm's retail and commercial development arm understands that the big box, cookie-cutter retail model is shifting. What is working, Birnboim says, is "necessity retail—food, services and restaurants. It's those places where you can get a burger or go to the gym or get a haircut."

Queens Walk, located in the thriving Sherway Gardens retail node in Toronto's west end, is that type of commercial development. It sits on

fewer than three acres, where the company is developing a multistory mixed-use condo and commercial property that is unique because merchants can get in on the ownership side. Beaux Properties, along with its partners, will retain roughly 50 percent of the plaza, while the other 50 percent will be sold off as commercial condos to local investors and end users looking to control their own retail space.

"It's a very flexible model," Birnboim says. "It's a great example of how the future might look in this asset class."

Birnboim is perhaps most excited about an affordable housing development in Toronto that should receive the necessary approvals for construction by the end of 2016. The development will be a 250-unit multifamily residential apartment community on property Beaux Properties already owns.

"It's in a great area where we can hopefully add some much needed affordable housing stock to a thriving and mature neighborhood of north Toronto," Birnboim says.

Through it all, the firm's success comes back to those core principles of discipline, entrepreneurship and deals where the upside far outweighs the risk. Focus remains sharp, whether it is understanding how people will always need quality rental housing in growing urban areas, anticipating the changes in retail or maximizing and intensifying land Beaux Properties already owns.

"Although real estate investment is, at its core, a fairly straightforward business, every player brings a different mindset in this game, and people have made fortunes doing things much differently than we do," Birnboim says. "Our mindset has been to be steadfast and calm through turbulent times, constantly take the temperature of the market, not be afraid to pivot when we see structural changes and, above all, continue to look for those deals that have a real entrepreneurial play to them. Through our great partnerships, we invest in people as much as we invest in assets, and the two must go hand-in-hand." ■

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