

BY BRENDAN FARROW

Why Developers Need Diversified Deposit Insurance

Toronto's real estate market has seen significant turbulence lately, with several condominium projects going into receivership. Surety providers have been notably impacted, which raises a critical issue for developers: the need for a diversified Deposit Insurance strategy. In such a volatile market, having the right Tarion Bonding & Deposit Insurance provider not only safeguards your project but also provides strategic financial benefits. At Platform, we specialize in helping developers navigate these complexities by promoting diversification and securing the most competitive Deposit Insurance solutions available.

1. Early Access to Deposits: Boosting Cash Flow

With multiple projects in receivership, accessing deposits early has become even more critical for maintaining strong cash flow and minimizing project delays. Developers who can tap into deposits prior to senior debt or construction lender funding enjoy a significant financial advantage. At Platform, we ensure that Deposit Insurance solutions offer early release options should they be available, allowing our developer clients to reduce their reliance on traditional funding sources and keep their projects moving forward in a tightening market. This can be critical driver for developers, particularly in a turbulent market where liquidity is essential for project survival.

2. Increasing Profitability: Maximizing IRR through Competitive Rates and Diversification

Securing Deposit Insurance at competitive rates is essential for driving higher internal rates of return (IRR) and improving overall project profitability. However, recent market turbulence has led some Sureties to tighten their underwriting guidelines, making it harder for developers to secure favorable terms. This is where a diversified approach becomes invaluable. By working with multiple trusted partners, developers can access a broader range of Deposit Insurance solutions and avoid being overly reliant on a single provider—particularly those with significant exposure to troubled projects.

3. Strengthen Capital Stack: Lowering Equity Requirements with Multiple Partners

Deposit Insurance can significantly improve the capital stack by lowering the equity required for a construction loan. However, the amount of Deposit Insurance you can incorporate into your capital stack depends on both lender approval and your ability to collect deposits throughout the project. For example, if a project's total revenue is \$10,000,000, collecting 15% deposits with 75% pre-sales would result in \$1,125,000 in Deposit Insurance availability. By diversifying your Deposit Insurance providers, you increase your flexibility and reduce the likelihood

of being constrained by a single underwriter's tightening guidelines. Additionally, any excess deposits above what's allocated in the sources and uses of funds can reduce your construction loan size on a dollar-for-dollar basis, further strengthening your financial position.

4. Diversification Can Unlock Additional Bonding Products

One of the key benefits of adopting a diversified strategy in Deposit Insurance is gaining access to a wider array of bonding products that might otherwise be unavailable. Without diversification, developers may find it more difficult to source products such as Lien Bonds, Purchaser Deposit Bonds, Subdivision Bonds, and other specialized insurance and surety solutions that are crucial in today's tightening market. At Platform, we've seen firsthand how diversification helps developers secure not only Deposit Insurance but also competitive terms for these additional bonding products, allowing them to manage their risks more effectively and align their financial strategy with the quality of their developments.

5. Flexible Terms for Maximum Impact

As markets tighten, it's essential to have flexible Deposit Insurance terms that allow for optimal release of deposit funds and partial draws that align with the pace of your development. By working with multiple trusted partners, you increase your chances of finding the best terms and conditions for your project. This flexibility allows you to align your Deposit Insurance strategy with the financial and operational realities of your development, ensuring you have the cash flow needed to keep the project on track.

6. Tailored Solutions for Your Unique Project Needs

Every development is unique, and as such, Deposit Insurance solutions should be tailored to your specific project requirements. In a tightening market, where underwriting guidelines are becoming more stringent, having multiple partners allows for more customized solutions that align with your project's needs. Whether you are developing boutique condos or large-scale residential projects, a diversified Deposit Insurance strategy ensures that you get the coverage, flexibility, and competitive terms required to support your development goals. At Platform we take a tailored approach to ensure that your Deposit Insurance solutions fit seamlessly within your broader financial strategy, optimizing the capital stack while minimizing equity requirements and risk exposure.

In today's volatile real estate market, securing the best Deposit Insurance is more critical than ever for developers. As market conditions tighten, a diversified approach to Deposit Insurance is essential for reducing risk, enhancing flexibility, and optimizing profitability and financial outcomes.

At Platform, we specialize in helping developers secure competitive, flexible Deposit Insurance solutions that improve their capital stack, reduce equity requirements, and work to provide early access to deposits. By partnering with multiple trusted providers, we ensure that our clients are well-positioned to navigate the current market turbulence while maximizing their project's potential.

We are confident that we can offer your team meaningful and highly competitive options for your next sales launch.

Questions? Contact:



Brendan Farrow, Vice President
Construction Industry Group
bfarrow@platforminsurance.com
416-997-7204

About Platform

Platform is a national employee-owned risk advisor helping Canada's physical economy turn risk into resilience. Our differentiated value comes from our deep industry expertise, risk intelligence and disciplined execution.

We are a business built on our people and culture. It's at the heart of everything we do.

www.platforminsurance.com

info@platforminsurance.com

416-434-4322

