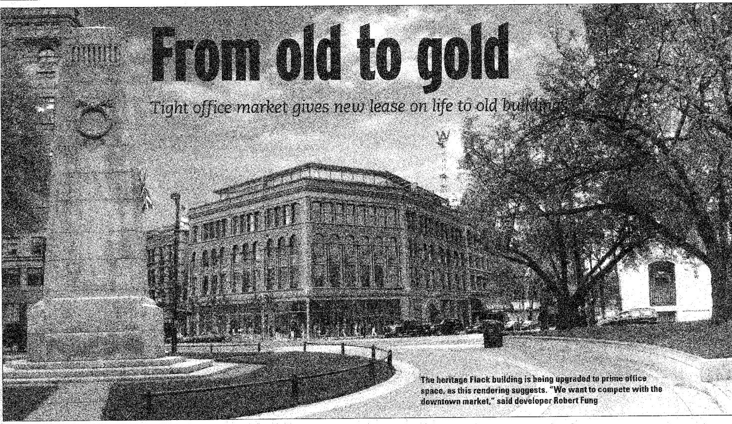
From old to gold

Tight office market gives new lease on life to old buildings



The heritage Flack building is being upgraded to prime office space, as this rendering suggests. "We want to compete with the downtown market," said developer Robert Fung

PETER MITHAM/FRANK O'BRIEN

Soaring rent for Vancouver office space is making the renovation of older buildings less of a risk and causing developers to look outside of Gastown and Yaletown for fixer-upper opportunities.

The downtown office vacancy rate has plunged to a six-year low of 5%, driving leases for prime space up 30% in the past 24 months to a new highs of $30-$35 per square foot, realtors note.

The intense demand has proved a boon to those who have gambled on Vancouver's low inventory of heritage office buildings. Once seen as ripe for residential conversion, the trend is shifting to mixed use or upgrading of the old sites to quality commercial space.

The highest profile example is the old **Woodward's** redevelopment on West Hastings Street, which will contain retail and offices along with about 500 condominiums when it completes in 2009.

Meanwhile, the **Salient Group** – well known for its loft condo conversions – has worked retail space into its Terminus redevelopment in Gastown, and will include 10,000 square feet of offices in its refurbishing of the old Garage and Cordage buildings next door.

Rick Ilich, president of the **Townline Group** in Richmond, which has renovated old warehouse space on Beatty Street and Homer Street into trendy condos, cautions of the cost challenges in inner-city upgrades.

"Construction's slower, the trades aren't necessarily making the margins they would on a simple, 30-storey building where they can just fly, so you've got to make sure you're in the right location that can get the numbers that you need to make it worthwhile," he said.

Ilich said the projects are hard to cost because of the complexity of the work and market conditions for materials and labour.

Salient president **Robert Fung** notes that the number of older buildings in the urban core is limited. "Vancouver wasn't really a large industrial-type city, it was a smaller boomtown, and we don't have the sort of warehouse-type inventory they have in the big industrial cities, Montreal, Toronto," he said.

Still, Salient has secured some prime sites for commercial redevelopment. This includes the Lumberman's building at 509 Richards and the Flack block at Cambie and Hastings, across from Victory Square.

Tenant improvements will begin on the Lumberman's in late spring, while the Flack block should be ready for occupancy by the end of this year. Renovations will start on the Alhambra block in Gastown, where Salient has its offices, later this year. All told, the three projects represent just over 100,000 square feet of office space.

"They're all the same notion – taking buildings that are good, really good bones, great meat and potatoes, and turning them into highly competitive, super-character office space. We want to compete with the downtown market," Fung said.

With triple-net lease rates averaging in the mid-$20s per square foot, the projects are competitive, and attracting prime tenants to boot. A major Toronto ad agency has leased two floors for its Vancouver office in the Lumberman's building and the Vancouver investment firm **Renewal Partners** has leased two floors in the Flack block.

Older office sites in Kitsilano, Vancouver's East Side and New Westminster are now attracting attention, but other municipalities also have potential.

Townline hopes to get the green light this spring to redevelop the old **Hudson's Bay** department store in Victoria with a mix of residential and commercial uses.

Marketing could begin in April 2007. Ilich believes there's potential for other older buildings in Victoria, too.

Victoria has a record low office vacancy rate of 4%, and that is expected to fall to 3% this year, according to a study by **Colliers International**. ◆

Giant Alberta mall pushes green to the max

Montreal-based **Ivanhoe Cambridge** will take environmental measures to a new level in the largest enclosed mall in Western Canada that it is building on a 673-acre site near Calgary.

The 1.2 million-square-foot, single level enclosed mall will feature "cool roof" technology, windmills, and giant water cisterns beneath the parking lots that will capture rainwater for reuse in the massive complex. The roof will be covered in a white reflective coating, meant to reduce heating and cooling costs on the 20-acre roof space. The reuse of water is meant to lessen pressure on the nearby Red Deer river.

"Each of the water reservoirs will hold 1,000 cubic metres of water," explained **John Scott**, a vice-president of Ivanhoe Cambridge.

The developer also plans to use a series of windmills to generate about 25% of the mall's power needs.

The mall, now under construction near the village of Rocky View, is the biggest project in Alberta outside of the oilsands and, for sheer retail floorspace, could dwarf the West Edmonton Mall.

When the Rocky View mall is completed by fall 2008, the jewel in its crown will be two racetracks, a one-mile thoroughbred track and a seven-furlong standardbred track. The site will also include a casino and hotels.

The mall itself will house 18 anchor tenants, more than 180 specialty stores, restaurants, a movie theatre and a bowling alley, plus parking for 5,000 cars. ◆