# Property Report





Biggest one-week REIT gainer: InnVest » CIBC

1.7%

Biggest one-week REIT decliner: Morguard )) CIBC



Office vacancy rate in down-town Edmonton in Q2, up from 8.0% a year earlier. » Colliers International



Office vacancy rate in downtown Montreal in Q2, up from 4.7% a year earlier. N Colliers International

#### REPURPOSING

# Hidden gems offer up unique office space

Mechanical floor now showroom for Steelcase Canada; training room now penthouse office space for Park Property Management

#### WALLACE IMMEN

F or lease: Vast penthouse in Toronto's downtown core with dramatic panoramas in three directions.

seemed almost impossible to

dramatic panoramas in three directions.

It seemed almost impossible to believe such a space existed, let alone could be available to lease, believe such a space existed, let alone could be available to lease, because Steelease Canada Ltd. had spent more than a year in a frustrating search for a downtown space suitable for a new office furniture showroom and office space for its staff, says Gale Moutrey, the company's vice-president of communications.

But she tracked down a rumour from a friend that half of the mechanical floor atop the 24-storey 200 King St. West had been unocupied since the office tower was built for Sun Life Assurance Co. of Canada 20 years ago. It was accessible only via the freight elevator, but as soon as she saw the room: "My reaction went from skepticism, to delight and instantaneous belief that it would be the right space for us."

Such hidden gems are being discovered as tenants seek out underutilized spaces in an increasingly competitive urban commercial market across Canada, says Ross Moore, Vancouverbased director of research for commercial real estate company CBRE Ltd.

The second quarter of 2014 saw more commercial space taken off the market in Montreal. Toronto and Vancouver than at any time in the past two years, amid a trend for companies to locate in downtown corres, according to CBRE's latest statistical summary in June.

"We are seeing an intensification of use in downtown corres, according to CBRE's lates in thomstrails."

CBRE's latest statistical summing, in June.
"We are seeing an intensification of use in downtowns – particularly in Toronto – as space gets more expensive," Mr. Moore says. Repurposing formerly undertuilized space is becoming a trend as the market has become tighter."
That has landlords looking for ways to add value to formerly under-utilized spaces such as cafeterias, lounges and meeting facilities.

Apartment landlord Park Prop

Apartment landlord Park Prop-erty Management Inc. had spent months last year looking to lease office space because it had to relocate when its former space was slated for demolition, says Margaret Herd, the company's vice-president of residential prop-erty management. She had a revelation while visit-ing the company's former train-

She had a reveilation while visit-ing the company's former train-ing centre, on the top floor of a 12-storey apartment building near the corner of Yonge Street and Eglinton Avenue in Toronto's midtown. The 2,200-square-foot



ears, the space considered unrentable. Superkul architect Meg Graham Steelcase and Park Property at tgam.ca/property BENRAHN/A-FRAME/SU The penthouse floor of 200 King West sat vacant in Toronto's downtown for 30 yea immediately saw its potential for client Steekcase Canada. See more of photos of Si

immediately saw its potential for die space was used no more than wice a week for employee training and as a storage area for the building's manager.

"It was perfect, because it has the size and everything we needed," Ms. Herd says. Staff training could be done in a conference space in another building the company manages in downtown Toronto.

Park Property approached Quadrangle Architects Ltd., whose own offices in Toronto have moved into a renovated former computer centre that had been vacated by a bank. Quadrangle has had a number of clients in the past two years who want to redesign older warehouse and office spaces in Toronto for new office spaces in Toronto for new uses, interior designer Dyonne

Fashina says.
"A lot of creative industries "A lot of creative industries have converted brick and beam warehouses, but they are becoming harder to find. Now they're looking into older urban office buildings that are considered dated and may have difficulty attracting new tenants, but they

can be turned into attractive locations with some innovative thinking."

The renovation for Park Property posed challenges, but
required minimal reconstruction,
she says. The office would be
mostly open concept and there
was already a kitchen, so only
dividing walls to create two private offices needed to be added,
she says. The terrazzo floor was in
perfect condition from the time
the building went up in 1961. But,
as in all retrofits of offices from a
pre-computer era, more electrical
and data cabling was needed
through conduits along the walls.
New exposed ductwork for
heating and cooling was also in
stalled in the room that originally
was heated by radiators and had
no air conditioning. The 50-yearold windows were all replaced
with more efficient ones with
anti-glare and thermal glass.
The renovations took six
months, a little longer than
expected because of unforeseen
issues such as having to install
the new windows from the out-

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Steelcase and Park Property at tgam.

side, Ms. Herd says. But the cost of repurposing the space was about \$230,000, excluding furniture, which was actually slightly under budget. "So it proved you can take a beautiful space and make it more beautiful and efficient and you don't have to blow your budget to do it." Ms. Herd says. Much more work needed to be done in the penthouse at 200 King West, which had only raw concrete walls and floors and bare light bulbs hanging from the ceilings. But Meg Graham, a principal of foronto architects Superkul Inc., immediately saw the potential. "Ilove the fact that in a city this busy and built out, there are these hidden spaces that can surprise," she says.

The fact that the space had eight-metre-tall ceilings, triple the normal office height; tell Su-

The lact that the space had eight-metr-ctall ceilings, triple the normal office height, led Superkul to design geometrically shaped room dividers and areas with more office-like dimensions to make the space feel less cavernous, Ms. Craham says. The centre of the floor that is the main showroom retains its dra

matic high ceilings.
Thirty-five employees work out of the office, but most are visiting clients much of the time. The work areas have few assigned desks and a variety of chairs, lounges and tables, so employees can choose where they want to work. The space wraps around the central core of the building and work stations provide vistas to the south, east and west, including lake views.

The landlord, Victoria-based British Columbia Investment Management Corp. (bcIMC Realty Corp.) invested in extending the shafts for two passenger elevators that originally went up to only the 23rd floor. When the tower was built in the mid-1980s the high-ceiling space was considered unleasable, explains Yulia Silkina, property manager for Bentall Kennedy LP, which is an agent for the building.
"This shows how far the office market has moved past those traditional ways of thinking."

market has moved past those tra-ditional ways of thinking."

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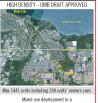


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