

PROPERTY REPORT

ROMSPEN Construction Financing

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11.1 per cent
Biggest one-week REIT gainer: InnVest **CBCE**

2.3 per cent
Biggest one-week REIT decliner: Northern Property **CIBC**

7.3 per cent
Toronto 1Q overall vacancy rate, unchanged from 4Q 2009 **CBRE**

7.8 per cent
Winnipeg 1Q overall vacancy rate, down from 8 per cent in 4Q **CBRE**

DEVELOPMENT

Rising over and above

Toronto developer to combine vintage industrial building with green office tower by building the new on top of the old

BY ANGELA KRYHUL

Three shiny new office towers were added to Toronto's skyline in the past year. But just west of the financial district, one developer is choosing a different route. He's keeping the old — a handsome century-old brick factory that began as a huge bakery — and taking it to new heights. The project will graft an 11-storey glass office tower on top of the five-storey industrial building, says Michael Emory, president and chief executive officer of Allied Properties REIT. He believes there is a growing market for this kind of "human-scale green office space." In other words, modern, energy-efficient office buildings designed in harmony with the surrounding community as opposed to a multi-level skyscraper. The \$80-million project will be every bit as state-of-the-art as Toronto's new Telus, RBC Centre and Bay Adelaide Centre towers, he says.

A specialist in converting old factories and warehouses into office and retail space, Allied is looking for a lead tenant to anchor the Queen Richmond Centre (QRC) West project. Phase One of the development, which lies along Peter Street between Queen and Richmond streets, includes the restoration of 134 Peter St., a factory built 100 years ago by George Weston Ltd. to bake cakes and biscuits.

Lead architect Dermot Sweeney, principal of Sweeney Sterling Finlayson & Co Architects Inc., worked on the Telus and RBC buildings and has designed similar sustainable features and innovations into QRC West. Construction of the office tower will begin 23 metres above ground level; it will appear to float above the historic structure, held up by large supports that resemble parts from a child's Tinkertoy set.

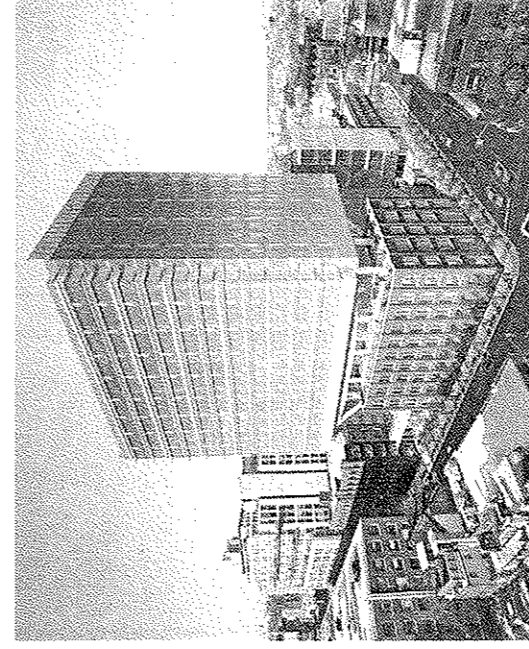
The interstitial space separating the roof of the bakery and the bottom of the tower will become part of a glass atrium that will extend down the north sides of the buildings to form a lobby at ground level. Allied is seeking municipal approval for Phase Two, which would see the atrium connect up and over a public laneway to a group of buildings along Queen Street that were acquired by the developer last December. The first floor of the bakery,



Michael Emory, left, president and CEO of Allied Properties REIT, would like to coax blue-chip tenants out of Toronto's downtown and into its Queen Richmond Centre (QRC) West development, which will see an 11-storey tower built over the top of a restored industrial building, below. With him is Dermot Sweeney, the project's lead architect. FRED LUM/THE GLOBE AND MAIL / SWEENEY STERLING FINLAYSON & CO.

ANATOMY OF A NEW BUILD

- Fast facts about QRC West:
- ▄ Fully operable windows that can be opened to flush out stale air every night.
 - ▄ An automated daylight-harvesting and glare-control system with external solar shades and internal automated blinds and light shelves.
 - ▄ A 46-centimetre raised floor housing air distribution, voice, data and power cabling systems.
 - ▄ 3.3-metre, floor-to-ceiling windows.
 - ▄ A 21-metre-high lobby/atrium.
 - ▄ The first and second phases would add a combined 372,000 square feet of leasable space to the market. Of that, the new tower represents 252,000 square feet of office space, and the old West-on building 24,700 square feet.
 - ▄ Designed to LEED Gold New Construction standards.
 - ▄ Angela Kryhul



which was designed 1.5 metres above grade, will be lowered to street level to make it more retail- and pedestrian-friendly. That will help integrate the development with the community and its residents, who frequent nearby Queen Street West restaurants, stores, clubs and bars, Mr. Sweeney says.

For now, the search is on for a lead tenant to take occupancy by early 2013, but shovels won't go in the ground until 50 per cent of the space is leased, Mr. Emory says.

ers. Mr. Emory says RBC's recent move west of the traditional financial district to the Cadillac Fairview-owned RBC Centre was a "very transformational deal" because it was "the first time a major chartered bank has made a big commitment to space west of University Avenue."

The move demonstrated "that while location is never going to be unimportant, it is becoming a secondary or a tertiary consideration. What is becoming a primary consideration is the quality of life within a building," Mr. Emory says.

Mr. Hitchcox agrees. Companies that want to attract talented young professionals are thinking outside the traditional office towers, he says.

"Generation X and Y have described the downtown core proper as being 'my father's and grandfather's downtown core,'" Mr. Hitchcox says. "The larger, more sophisticated companies that are looking for new premises today believe that attraction and retention is the number one concern in the real estate decision."

Employees want to work for companies whose values mirror their own on issues of cor-

porate responsibility and sustainability, Mr. Hitchcox says. And many people who live downtown want to walk or bike to work.

Both Mr. Emory and Mr. Sweeney say the neighbourhoods on either side of the traditional financial district could benefit from an increase in density.

Allied owns 58 downtown buildings. While their total leasable space is 3 million square feet, the properties are actually zoned for a maximum of 6 million square feet.

In theory, that means Allied could double the size of its portfolio on its existing land base. But that's not an option, Mr. Emory insists, because Allied isn't going to start knocking down historic buildings and putting up new towers that would flood the market with office space. Allied wants to increase density responsibly, and QRC West is the first step in that direction, Mr. Emory says.

Mr. Sweeney says the area just west of downtown, due to the abundance of shorter buildings and ground-level parking lots, is much less dense than the downtown core, with its many tall office buildings.

"In my opinion, you must find ways to get the overall density of the neighbourhood up to six or seven times," Mr. Sweeney explains. "Density gives you intensity; it's an urban versus a suburban situation. It gives you more people living there, a greater chance to attract large companies or many smaller ones, and intensity is what drives retail."

A true mixed-use neighbourhood is where the long-term value lies for a city like Toronto, he says. "That's why Paris is valuable."

Mr. Sweeney says the best thing about building on old bones like the Weston bakery is that Toronto preserves what's left of its downtown industrial heritage. "What better way to hold onto these historic buildings? This sends a message to the development community: There are other ways to do it. ... You don't need to start the bulldozer." Toronto has the potential to take the lead in saving great old buildings by building state-of-the-art ones above them, Mr. Sweeney says. "The wonderful thing is you embrace your past and embrace the future."

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