

THE GLOBE AND MAIL | REAL ESTATE



AGORACOM
THE SMALL CAP EPICENTER

An online community for smart investors and smart companies

- National
- Politics
- World
- Opinions
- Arts
- Tech
- Business
- Investing
- Sports
- Life
- Driving

Featured: • Video • Blogs • RSS Feeds • TV listings • Twitter • Facebook • Puzzles & crosswords • Weather • Haiti • Prorogation • Awards

Property Report

Add 1 part offices, 1 part condos; try to mix well



Will the recipe work?
Vancouver, Toronto test mixed-use concept in their downtown cores

Share with friends

Print or License

Recommend | 4 Times

See also:

- Condo conundrum
- Let's Talk Investing: Buy a house? Now?
- Let's Talk Investing: The recession and the real estate market

Article

Video

Comments (5)

Frances Bula

Special to The Globe and Mail

Published on Tuesday, Jan. 26, 2010 12:00AM EST

Last updated on Wednesday, Jan. 27, 2010 3:31AM EST

Canada's fourth-richest man, Jimmy Pattison, doesn't change office locations quickly.

The British Columbia king of grocery stores, car dealerships and outdoor advertising moved into the Guinness Building when it opened in 1969 in downtown Vancouver. He was still there 35 years later.

But when his long-time assistant Maureen Chant, who wields considerable power, heard that there was a new tower planned for a block away, she said, "We're going to be moving into that building."

The choice might have seemed odd to some. The Shaw Tower is not a traditional "power broker" building. The 42-storey structure next to the city's convention centre has 18 floors of offices on the bottom and 24 storeys of expensive condos above them.

But that didn't make Ms. Chant blink. It's a beautiful building and it's right on the waterfront.

"As far as the residential here, you don't even know," Ms. Chant says from her 18th-floor office, where she and her boss moved four years ago. "It's not an issue at all. We couldn't be happier."

It might not be an issue for the occupants of Shaw Tower. But city

HOMES&LAND CANADA

BC AB SK MB ON QC

Click on a province above to search premiere Real Estate listings throughout Canada

Video

Condo conundrum

View video

planners, downtown business groups and commercial brokers worry about mixing high-end office buildings with condos in or near central business districts.

Their big fear: that condos will end up crowding out work space, which could have an impact on cities' economic health.

Thinking of buying a condo?

- **Is a condo a good investment?**
 - **Condo research can keep you from a 'time bomb'**
 - **Buy a home, ditch the rental**
 - **Warm vacation property wanted - will pay cash**
 - **Couple drowning in real estate debt**
 - **Condo conundrum**
-

That's been a point of tension in Vancouver, where skyrocketing sales of downtown condos have led developers to pay any price for land to build them on. That drove up the price of real estate to the point where office-development economics didn't work in a city where the demand for Class A space is lower, compared with that of Toronto or Calgary, and where people were willing to pay a premium for luxury condos downtown.

After several high-profile sites near the central business district were either converted from office to condo or were built as new condo towers, enough alarm set in that Vancouver put a moratorium on condo development in a large downtown area.

Vancouver's planning director, Brent Toderian, has had to fight local developers who argue that the city can't support a large area of office-only development and that the condos in mixed-use buildings help subsidize office space.

"Vancouver is not a large head-office town, but it still doesn't mean you can default to mixed-use towers. You still need office space," Mr. Toderian says. "And if you mix, you replace office volume with residential."

Even Toronto, with its much more robust office market, has seen condo development encroaching on its downtown and important satellite downtowns, to the point where planners have had to declare that residential development won't be allowed at key points.

"At Yonge and Sheppard, we're reserving some properties for employment use because it's close to transit. And around Union Station, we want to make sure that's not residential," says Robert Freedman, the director of urban design for Toronto. "If you allow your sites that are best serviced by transit to be surrounded by residential, that creates problems."

He acknowledges that he feels pressure from developers who say the market and not egghead planners should decide what gets built where and when.

Toronto has allowed projects that mix residential - no more than 50 per cent - and non-residential in an area south of Union Station where development had been sluggish. That allowed Maple Leaf Square, now under construction, to combine offices, shops and condos.

That policy is working for the city, says Toronto's senior urban designer for the downtown, James Patakh. Why? Because it has sparked office development. "Now we have two other purely office buildings under construction near there," he says.



Sponsored Links

[Take Your Condo Profit at its Peak](#)

Flip your GTA condo thru Assignment and make more profit. We make it easy to do.
[AssignThisCondo.com](#)

[Great Fixed Mortgages](#)

Fixed rates near historic lows! What are you waiting for?
[JustClickLocal.com](#)

[15%+ ROI Canadian REIT](#)

Free eBook shows you how to profit from Canadian revenue properties.
[www.League.ca](#)

[Advertise Here](#)

Which is all good, as long as the pattern holds.

City planners aren't the only ones who worry and wonder, though. The move to mixed uses downtown sparks passionate debate in the development and business communities about what makes a downtown or a good office building.

Ian Gillespie, who built the Shaw Tower in Vancouver (and is building Toronto's Shangri-La), believes that mixed-used office and condos in downtown districts are here to stay and those who don't realize it are stuck in last-century ideas.

"By any measure, the Shaw Tower is a huge success. This is the most sought-after building in the city," says Mr. Gillespie, although he acknowledges that the location is a critical factor for any mixed project.

Development consultant Michael Geller, who has worked in both Toronto and Vancouver, says he thinks Vancouver is "making a mistake by discouraging mixed-use next to the CBD [central business district] - one subsidizes the other."

And even Vancouver's top office developer thinks mixed buildings have a place in his city. "Mixed use really depends on the size of the city, the nature of the community and the residential demand," says Tony Astles, vice-president of real estate service for Bentall Corp. "For a small city, mixed use makes a ton of sense. There isn't enough demand to build a full office."

But others argue that, with rare exceptions such as the Shaw Tower, a developer will never get the same price for office space in a mixed building compared with an office-only tower. That means an ultimate reduction in space available for Class A buildings, which are essential to a downtown core.

"Mixed-use developments are only for certain types of office tenants," says Rob Armstrong at Avison Young in Toronto, where he is managing director of the tenant representation group. "Lawyers, accountants, head offices, stockbrokers want office space that's going to help brand you. It's not just about the money, it's about who I am."

He notes that Maple Leaf Square - the mixed project that the City of Toronto allowed - had some trouble finding the right companies who wanted to move in because of that dynamic. The building apparently is now 87 per cent leased.

Some firms will happily move in to a mixed-use building if it works with their image. But they are few and far between. They're also likely to pay less.

While a top Class A building would lease for \$70 a square foot, says Mr. Armstrong, mixed-use projects, especially one south of the tracks, would more likely fall in the \$35-to-\$45 range.

One of the partners in Maple Leaf Square agrees that his kind of project takes special tenants.

"It was thought there was an opportunity for a special kind of office user who would like to take advantage of the signage and the branding opportunity, who could take advantage of the types of businesses that were attracted by that," says Wayne Barwise, senior vice-president at Cadillac Fairview. His company developed the project, which is next to the Air Canada Centre, with Lanterra, a residential developer, and Maple Leaf Sports and Entertainment.

But for other sites, Mr. Barwise said, the mixed-use model that his company has been employing more often is one where office and residential exist on the same property but in separate buildings.

Cadillac Fairview's RBC Centre and Ritz Carlton project is an example of that approach. Cadillac built a 1.2 million-square-foot office tower on one part of the land and is completing the second tower, which will have the Ritz Carlton Hotel on the bottom 20 floors, with 30 floors of condos above.

Cadillac wouldn't necessarily try even that combination just anywhere. But, says Mr. Barwise, such mixing is appropriate for certain places.

"They work in highly concentrated urban settings."

HURDLES FOR BUILDERS

"In mixed use ... the management process is very inefficient. We did a residential-and-office tower in San Francisco and it was awkward dealing with the tenants. It was a lot of work."

Tony Astles, vice-president, real estate services, Bentall Corp., Vancouver




"[Construction] is more complicated and it's more expensive than a standard office building. Buildings that mix office, where users typically want big open spaces, and condos, where the interior space is divided up more finely, need different size floor plates, for one. That means having to incorporate transfer slabs - extra-strong concrete platforms built in to the floor where the use shifts so that the structural pillars can be shifted to different positions."

Wayne Barwise, senior vice-president, Cadillac Fairview, Toronto

— "Projects have to be designed in such a way that the components are properly separated. Office tenants want a separate identity and they want a professional business environment. Where tenants have pushed back is if they aren't separated and then owners have had to offer lower rents."

Darrell Hurst, Principal, Avison Young, Vancouver

Frances Bula

 Share with friends |  Print or License |  Recommend | 4 Times

▼ Related Information

- **Condo conundrum**  Monday, Apr. 06, 2009 11:06AM EDT
- **Let's Talk Investing: Buy a house? Now?**  Monday, Apr. 06, 2009 11:00AM EDT
- **Let's Talk Investing: The recession and the real estate market**  Monday, Apr. 06, 2009 10:52AM EDT
- **Architecture: The incredible shrinking condo**  Tuesday, Jan. 26, 2010 12:00AM EST

▼ Latest Comments

1/26/2010 9:50:12 PM