OFFICE CONVERSIONS TO RESIDENTIAL - CHALLENGES

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Strategic Group- Office Conversions

Strategic Group has 6 conversion projects:

1. Store & Go
2. Avenida Food Hall and Fresh Market
3. Cube
4. Barron Building
5. Capital
6. e11even
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Why is Strategic Focused on Conversions?

1. Passionate about Calgary and its Downtown
   - Need a vibrant Downtown to attract global business

2. Conversions transform vacant buildings into residential creating vibrancy

3. Turn a lower performing asset into a sought-after asset
SOLVING MULTIPLE CHALLENGES
Solving Multiple Challenges

Challenge#1  Residential and office floor plates are usually incompatible

Example:
   a) e11even:
      ▪ Core to glazing distances too long- 49 ft.
      Solution:
      ▪ Created a 44 ft x 14 ft wide studio
   b) Cube:
      ▪ The suite layouts were unsuitable for the 2\textsuperscript{nd} floor
      Solution:
      ▪ Expanded the 2\textsuperscript{nd} floor
Solving Multiple Challenges

Challenge #2  Building cores are poorly located

- Usually a deal killer
- Centre core ideal

Example:
   a) Core of Barron building is incompatible

Solution:
   - Relocating the core a structural nightmare
     3 structural firms worked on a solution
Solving Multiple Challenges

Challenge #3  Downtown shortage of outdoor amenity space
Tough to integrate balconies

Solution:
- Reorganize roof top mechanical to one side
- Create a rooftop lounge
Solving Multiple Challenges

Challenge #4  Carrying costs of a vacant building

Solution:

- Compressing time from design to completion
- City fast-tracked approvals

Example:

a) Cube
   - Last tenant moved out July 01, 2018
   - First residential tenant moved in May 01, 2019
Solving Multiple Challenges

Challenge # 5  Relocating tenants

- Inability to relocate tenants for construction - Deal killer

  Example:
  a) e11even
     - Tenant lease was going to delay construction

  Solution:
  - Phased construction to work around tenant
  - Increased construction cost, however, gained revenue earlier and reduced carrying costs

    One-month revenue more than $300K
Solving Multiple Challenges

Challenge #6  Parking

- Office buildings usually have less parking than required

**Example:**

a) Barron building
   - No underground parking for 109 suites

**Solution:**

- Converting the basement into a parkade - 27 stalls

b) Capital building

**Solution:**

- Built a 4-storey parkade
Solving Multiple Challenges

Challenge #7  Making an office building look residential

- Without a face-lift, project image is impacted
  - Financially unfeasible to re-skin the building

**Example:**

a) Cube

**Solution:**

- Inserted colorful spandrel panels, entry canopy and corner cladding
- Exhaust integrated into spandrel panels
Cube: After
Steps to Pulling the Trigger on a Conversion

Step 1  Suite and floor plans must work – if not abandon
Step 2  Satisfactory building assessments
Step 3  City confirms code approach is satisfactory
Step 4  Building is vacant, or tenants can be relocated
Step 5  Budgets and proforma confirm viability – best financial option
Step 6  Go forward