

REDEVELOPMENT

Midtown Montreal morphs into new office hub

FRANCES BULA

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For four decades, the hulk of a building on Mile End Street was a warren of distributors, manufacturers and rag-trade operations: General Textiles, Papillon Blanc Lingerie, Warh Lay Confection.

But that former industrial building in the Park Extension area, still surrounded by moving-van parking lots and mini-storage places, is undergoing a transformation.

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Old machinery and walls are being ripped out. The building's eight huge floors are being remade into hyper-modern open areas. New designer-style horizontal windows are being installed to allow for panoramic views of Montreal and the autumn leaf colours of Mount Royal.

Across the street, another older brick building is also being gutted and refitted and, a block away, a third building is under construction.

All are signs of a new kind of office district emerging in Montreal – not downtown, not in the suburbs, but midway between the two, in old industrial buildings just north of hip Plateau and wealthy Outremont.

“The key for any company now is keeping their employees happy. This area has transit and quality of life; it’s an up-and-coming area for housing,” says Richard Hylands, the CEO of Montreal-based Kevric Real Estate Corporation Inc., a property development and management firm.

His company bought the building at 7250 Mile End last year after seeing how successful its projects were in Toronto’s Liberty Village, a similar kind of area getting remade from industrial to residential and office. “In the medium-term, it’s a no-brainer to come here.”

He bought a second nearby. And he tried to get the one across the street that's also being renovated now, but Groupe Montoni beat him to it.

Mr. Hylands is already seeing the results of his investment. The Toronto-Dominion Bank, which is moving into a new signature office downtown on René Lévesque Boulevard, is also leasing three floors in the Kevric building as its secondary campus for 800 of its 1,250 central-operations employees. Other deals are in the works for 7250 Mile End, which is to be completed in June of 2014.

Mr. Hylands is one of several developers who have moved into this corner, sandwiched between busy Jean Talon Ouest Street and the big green oasis of Jarry Park, to build townhouses and condos or renovate industrial buildings into office lofts.

That group is adding to others who have done the same in Mile End, the district just south of there, and Rosemont, slightly to the east.

They're all discovering that traditional downtown-type businesses – finance, insurance, law offices – are willing to experiment with moving some or all of their operations into areas that are also drawing more creative businesses such as graphic designers, light-effects companies, video-game creators, architects and artists.

“What we've realized is that conventional office users like rubbing shoulders with more creative types,” said Tom Burns, the chief operating officer for Allied Properties REIT, which bought a couple of buildings two years ago in Mile End, not far south of Mr. Hylands' development.

Allied helped seed the creative end by dedicating space in half of one building for artists, who are already densely concentrated in the area.

“It's a community-minded effort but it's helping us,” he acknowledged.

Once the company is finished renovating its two buildings on De Gaspé Avenue, it will be looking for more, Mr. Burns said.

The popularity of those midtown districts is something commercial brokers are seeing rise steadily.

The downtown Montreal market is relatively stagnant, with only a couple of office buildings under construction for the first time in many years, and high vacancy rates.

In keeping with changing office trends, companies whose leases are coming up for renewal downtown are choosing to reduce their square footage. They're allocating less space per office worker, as one strategy. The other strategy is to find space outside of downtown.

“The growth of the office market in Montreal is happening in what I call the alternative markets,” says Laurent Benarrous, a commercial broker with Avison Young.

Like brokers in many cities around North America, he said cities are shifting dramatically as the new generation of office workers insist on staying in the city, working near where they live, and gravitating to neighbourhoods with interesting activities.

Mile End, Villeray, Park Extension and Rosemont provide those, with a wealth of interesting restaurants in Little Italy, the popular Jean-Talon food market, convenient subway stops, and the tennis stadium and greenery of Jarry Park all nearby.

Potential employees live in the city's popular residential districts nearby and increasingly, as condo developments spring up alongside office conversions in midtown, sometimes settle right next door. The streets bordering Jarry Park have seen a noticeable upsurge in townhouse and apartment buildings.

Montreal has more than one neighbourhood filled with surplus industrial buildings, but not all of them are good candidates for transformation.

Those close to downtown and the waterfront – the ones that haven't been converted to condos already – are still fairly high-priced compared with the \$20- to \$25-a-square-foot gross rents in that booming mid-town area.

And those in the east end are too far from the easternmost stop of Montreal's transit line, as well as being far from any shopping or restaurants, Mr. Hylands said.

Part of that might change if the provincial government and city decide to fund a new line going farther east.

But, for now, developers are clustering in those neighbourhoods where the lines, the shopping, the restaurants, and many of their employees already live.

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