



Reduce, Reuse, and Recycle

It's Not Just for Soda Cans Anymore

By Sydney Hamber



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ADAPTIVE REUSE (AR)

Adapt — “modify something or oneself to suit a different situation”

Use — “put into action or service.” Therefore, reuse is to “put back into service”

Two simple words, that when combined, can have a very complex meaning.

In our case we are talking about taking old industrial buildings that have outlived their usefulness as a manufacturing or warehouse plant and converting them into something newer and better.

As many large companies continue to downsize and consolidate operations to newer, more efficient facilities, the creative, adaptive reuse of those properties ‘left behind’ becomes vital to the survival and economic recovery of the growing number of communities experiencing such a loss. While it seems like the pace of this industrial displacement

is increasing, it has existed in some form for decades, and has produced some proven models of recycling older buildings that can “shed a light” on how to get started in your market.

Let us look at some of the incentives various cities, counties, Provincial/State, Federal governments will provide to help with the conversion.

After all, municipalities have not only lost a huge tax base, but in many instances, there is the added cost of police and fire for the abandoned derelicts. Not all of them are abandoned, but most of them are approaching derelict status with owners not willing to spend much, if anything, on them. Some incentives are:

- Provide conversion rebates to help offset the cost to the owner
- Provide tax relief based on the revised assessment of the property
- Provide incentives for environmental clean up
- Possibly use part of the property itself for some Municipal departments

Small and medium size companies continue to generate a large percentage of the new jobs in North America. Many of these companies are still in their more formative years, and often the AR buildings can offer inexpensive but suitable space to help them grow. In many cases these buildings are in or very near older residential areas that can offer an

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abundant source of labour. Make no mistake, companies are relocating to where the people are. This will become more prevalent as the population ages, in order to find a work force. When you add in the high cost of fuel for commuters, people will be quite happy to walk if they are close enough to work.

What are some of the uses for these AR buildings? Can they be converted and how do you convert them? First and foremost, a list is available of the AR uses we have received from fellow SIORs across the SIOR spectrum; this was presented at the SIOR conference in St. Louis in November, 2007. For a copy of this list, or the PowerPoint presentation, please send an e-mail request to us and we will send it by return e-mail.

Examples

In addition to the list we can provide, here are some examples of AR that might help you generate some ideas of your own. Remember, with AR there are no rules; whatever makes economic and viable sense is a good idea.

Self Storage

Convert a building to a self-storage facility; offer a variety of sizes; steel stud and drywall are usually sufficient. If people need security, you can use concrete block and charge extra or provide security in the system and charge extra. You can offer additional services, such as boardroom, secretarial, courier, phone answering, and shipping/receiving.

Incubator

There are two types of incubator space; one is for start up companies where they are coming out of their basement or garage, and the other is for newer, or slowly maturing companies that are ready for expansion. Once again, a variety of unit sizes and services can be offered. If the building is large enough and unit sizes are flexible you might keep a tenant for several years.

These buildings can be converted and used as first homes to university students who may invent the next Google or Facebook.

Profitable Strategic Alternative to New Construction

For a business that is growing and considering new construction, the purchase of a larger-than-needed existing facility can make good strategic sense. In the case of an established manufacturing business located in an inefficient, 200,000 square-foot, multi-floor, 100 year-old complex of buildings, their growth was pressing them to become more efficient. While they were contemplating the construction of a new 200,000 square-foot building (assuming that the efficiencies of a more modern single-floor layout would save the cost of building a larger structure) we introduced the idea of buying a 680,000 square-foot property that was only 30 years old for a comparable price. The advantages included faster occupancy, room to grow, and the potential for income from leasing the excess space. The client immediately moved into a 300,000 square-foot space, eventually growing to over 350,000 square-feet (while avoiding any additional construction costs, delays, or distractions) and enjoyed a pricing advantage in their industry since their occupancy cost (as a component of product cost) was lower than their competitors due to the profits of the leased excess space.





Executive Suites or Coworking Space


While 19th and early 20th century administrative office buildings may not work for modern office requirements, their smaller “chopped up” layouts can offer other possibilities. With the addition of an administrative assistant (new or shared with an existing enterprise) and some furniture, these spaces can become an “easy move-in” home to micro and small office clients. Adding some technology (like wireless internet, shared office equipment, and telephones) and flexible access to some more open-space expands access to another niche of office “road warriors” looking for something more than a coffee shop to operate from. These types of operations tend to be more successful in amenity-rich, pedestrian-friendly neighborhoods.

Mixed Use, Multi-Tenant Business Center

Often the size, location, or condition of the property may not lend itself to any single purpose in the market, but your client still needs

a solution. In cases like this, matching existing useable space to opportunities in the market that already exist can generate leasing activity to establish enough operational lift to carry the project while waiting out a more traditional transaction.

Whatever market you are in and whatever part of your market you concentrate on, it is virtually guaranteed there is an AR opportunity. Whether it is 10,000 square feet, 100,000 square feet, or 1,000,000 square feet, go after it. The world is constantly changing, and as companies come home and new ones start up, there are tenants who will be looking to save money and locate in these AR buildings.

Good luck to each and every SIOR who takes the challenge of an AR building. Send us your stories and we will distribute them to your peers. 

Strategic Alternative to Disposition

In the case of a company with shrinking space needs but a significant investment in unique facilities (heavy crane bays, processing infrastructure, etc.) or geographic commitment (close to a resource, market or owner’s home), it may make sense to only adaptively reuse a portion of the property. Depending on the unique aspects of the situation, there may be an opportunity to subdivide and sell sections for the site or selectively reposition and lease other areas.

Brick & Beam

A former footwear manufacturing company in a downtown, Southern Ontario community fell on hard times and their plant was put on the market. The plant was picked up by some private investors who converted the 250,000 square-foot building on four floors into condos. After going through zoning, remediation, site plans, it was put on the market and the 185 units sold out in less than a year; more importantly, it started a revival of the CBD.

Innovation Park

The former Camco appliance facility in Hamilton, Ontario, was an 800,000 square-foot building on 36 acres. The owners wanted to close the facility for all of the usual reasons — low production, high costs, changing demand for the products. We met with McMaster University who was looking for additional research and general growth space near the University. It is now a 36-acre, state-of-the-art Innovation Research Park (McMaster Innovation Park or MIP) with several tenants. The first major tenant was Canada Metals (Canmet) research, relocated from Ottawa; others will soon follow.

