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BUSINESS

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Industrial revamp a green winner 48-year-old St. James building gets big renewal

By: Murray McNeill

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Murray McRae of leasing agent Colliers International says the improvements at the Border Street building are more extensive than others he's seen.

A nearly half-century-old St. James industrial building is getting an extreme makeover and the investment is already paying big dividends for the owner.

Winnipeg-based Neptune Properties Inc. is spending several hundred thousand dollars to refurbish a 48-year-old, 65,000-square-foot industrial building at 1245 Border St.



Although the makeover is still several weeks away from being complete, the company already has a new long-term tenant for the space -- J. R. Stephenson Manufacturing Ltd., a local manufacturer of electrical products. And thanks to the improvements, not only does it have a more valuable asset, it's also getting an extra dollar per square foot in rent, said Neptune asset manager Wendy Finch.

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Finch said the upgrades include installing new insulation and energy-efficient lights and erecting a new glass curtain on the front corner of the building to enhance curb appeal.

She said although Neptune has upgraded several other properties -- it owns 11 commercial buildings in the city -- this is its most ambitious project.

The leasing agent for the building -- Murray McRae of Colliers International -- said the upgrades were more extensive than many of the others he's seen.

But they're the type of improvements that appeal to tenants who want to reap some of the benefits of being in a newer industrial building, without having to pay new-building rents -- usually \$7 to \$10 a square foot.

He said even with the kind of extensive renovations Neptune undertook, landlords can usually keep their rents at between \$5 and \$6 a square foot.

"Those rates are still what most Winnipeggers would look at as being acceptable. It's a compromise between old and new."

Mark Thiessen, a commercial agent with Re/Max Professionals, said he expects to see more of these larger-scale refurbishing projects.

He said Winnipeg has an abundance of older industrial buildings that need to be retooled to meet the needs of a new generation of tenants.

"And in many cases, that is not going to be strictly a warehouse user."

He said there are office tenants looking to move to industrial parks because parking space is more abundant, rents may be lower, or they want to be in that area of the city.

He, too, has a client who is investing in a building upgrade. It's also a 1960s-era industrial building in St. James -- the 30,000-square-foot complex at 880-888 Bradford St.

Thiessen said the owner is spending about \$300,000 to install new insulation, new windows, a new facade and a new roof. Work got underway about six months ago and will be complete within the next few weeks.

His reasons for doing it were to enhance the value of the property and attract tenants for the 12,000 square feet of vacant space in the building.

The general manager of J. R. Stephenson Manufacturing confirmed the insulation and lighting upgrades in Neptune's building were the main reason it chose it over several buildings it looked at.

"That (having good insulation and energy-efficient lights) makes a big difference over 10 or 15 years," John Tuhkanen said. "The operating costs are going to be much lower than what we have now."

He said the new facade was an added bonus.

Thiessen said one of the most successful refurbishing projects in the St. James industrial area was the conversion about 15 years ago of the former Marshall Wells warehouse at 1395 Ellis Ave. into a retail/office/industrial complex. He said the centre has enjoyed consistently high occupancy rates.

In its spring/summer commercial real estate newsletter, Avison Young also cited a case from about three years ago where a client bought a functionally obsolete, 30,000-square-foot industrial building at 730 Century St. that suffered from chronic vacancy and a lack of parking space.

At the urging of Avison Young agents Murray Bonk and Jamie McPetrie, the new owner demolished the front third of the building to create storefront parking spaces and installed a bright new facade.

The newsletter said the two agents "immediately leased out one side of the building at more than double the previous rate, and then sold the building to another retail user for more than double the initial investment."

Know of any newsworthy or interesting trends or developments in the local office, retail, or industrial real estate sectors? Let real estate reporter Murray McNeill know at the email address below, or at 697-7254.

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Republished from the Winnipeg Free Press print edition May 2, 2011 B4

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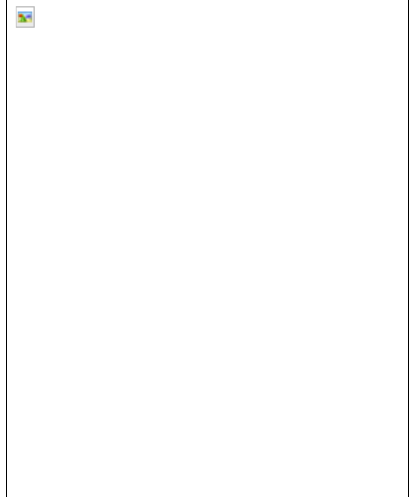
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