

Post-office site a big question mark
Realty officials list possibilities for converting huge complex

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By Murray McNeill



WAYNE GLOWACKI / WINNIPEG FREE PRESS ARCHIVES

Canada Post plans to vacate its main Winnipeg plant on Graham Avenue, leaving 400,000 square feet of empty space in a prime downtown property.

IT'LL be the biggest chunk of downtown real estate to come onto the market since the Manitoba Hydro office tower site and the old Eaton's department store.

But local real estate industry officials say Winnipeggers shouldn't hold their breath waiting for something as big and splashy as a new downtown arena or a highrise office tower to go up on the site of the Canada Post building on Graham Avenue.

Most of the officials say they expect that whoever buys the property, which is one square block in size, will retain the 12-storey office tower on the northern half. And if they're really creative, they may find a way to retain the four-storey mail-processing plant on the southern half, although that will be a bigger challenge.

When Canada Post announced last week it plans to sell its downtown property and move into two new facilities to be built elsewhere in the city, it touched off speculation about what will happen to the site.

Although it's expected to be the fall of 2009 before Canada Post is ready to move, the marketing of its downtown property is underway.

"Technically, the building is up for sale now if somebody wants to approach the broker (C.B. Richard Ellis Chartier & Associates)," Canada Post spokesman Malcolm French said in an interview.

French said he didn't know if the realty firm has received any inquiries yet, and a spokesman for the company could not be reached for comment.

Most industry officials interviewed by the *Free Press* predicted a buyer will be found, but that it could take awhile.

Wayne Johnson, a commercial and leasing representative with Royal LePage Dynamic Real Estate, said the sheer size of the property will automatically rule out a lot of potential buyers. And he said redeveloping the property will be costly and challenging, narrowing the field even more.

"Anytime you've got a property of that size, it's both a challenge and an opportunity," said Arni Thorsteinson, president of Shelter Canadian Properties Ltd., one of the city's largest commercial property owners, managers and developers. "But generally speaking, the larger the project, the more difficult the undertaking."

Thorsteinson, who said Shelter would be interested in looking at the property, likened it to the ongoing efforts to redevelop The Bay's 700,000-square-foot downtown department store into a retail/office complex. The biggest obstacle is finding tenants to fill such a large space.

While the two Canada Post buildings are a little more than half that size -- about 400,000 square feet in total -- Thorsteinson said it's still a lot to fill.

"Even if you had a 100,000-square-foot tenant, that's would still leave 300,000 (square feet) empty."

An official with Shindico Realty Inc., the Winnipeg firm that has been trying for more than four years to redevelop The Bay store, said the company hasn't given up on that project.

Pros and cons of big post-office property

ADVANTAGES

Size: Covers an entire square block. The two buildings on it -- a 12-storey office tower and the four-storey mail-processing plant -- boast a combined total of 400,000 square feet of space. Local realtors say that gives the buyer/developer a lot of room and an opportunity to do something dramatic.

Location: It's in the heart of downtown, and the office tower is connected to the skywalk. Both of those factors bolster the value of the property and its attractiveness to tenants.

Access: The property can be accessed from four different directions .

Time: Because Canada Post likely won't be moving out until late 2009, that gives prospective buyers and developers plenty of time to figure out what they might do with it.

DISADVANTAGES

Size: Realtors say there are limited number of potential buyers who can afford to redevelop the property. And if they plan to lease out the space, they'll need to find a multitude of tenants.

Redevelopment challenges: The office tower can continue to be used as office space, although it may need upgrading. What about the processing plant? It likely will have to either be converted to other uses or demolished and replaced. And if so, what?

Cost: A property that size in the heart of downtown won't come cheap -- it'll likely cost tens of millions of dollars, according to one realtor. And if the buyer decides to demolish one or both buildings and replace them with something else, that cost would also likely run into the tens of millions of dollars.

Bob Downs said talks are continuing with several prospective tenants, although he wouldn't say who they are. The provincial government and the University of Winnipeg are two parties that had expressed interest in leasing space in the six-storey building.

Downs said there's no question that if Shindico could land one of two large office tenants -- The Bay wants to lease the basement and the bottom two floors, so tenants need to be found for the top four floors -- that would make it easier to fill the rest of the space.

In the case of the Canada Post property, Downs said he'd expect the buyer to retain the office tower because it's still a functional building.

However, Thorsteinson noted the building is about 50 years old, so the mechanical and electrical systems would likely have to be replaced.

"I don't think it would be that easy to attract people otherwise."

"It's the four-storey plant that's the issue," said Martin McGarry, president of MMI Commercial Real Estate and past chairman of the WinnipegREALTORS Association's commercial division.

"The office tower is already tenanted and it's in good shape," he said. "The mail-sorting plant -- somebody's going to have to get quite creative to know what to do with it."

Condos, maybe

Ken Jones, owner of J.J. Barnicke Winnipeg Ltd. and chairman of the WRA's commercial division, said the best bet would be to convert the production plant to other uses -- or demolish it and replace it with a new, mixed-use facility.

"I think it's going to be a different type of project. I don't know -- maybe an office at one end, maybe some condos at the other, and a retail mix in the middle," Jones said.

While he'd like to see something "clever" done with the southern half of the property, he and the other industry officials predicted it won't be anything on the scale of a new arena or a new office skyscraper.

"I don't see anything on the horizon that would lead to another major development," Johnson said.

"And I can't see a need for another office tower," Jones said.

What none of them wants or expects to see is that no one buys the property and it sits vacant for a long time -- or that it's demolished and turned into a surface parking lot.

"It's just too good a site," Jones said.

"The last thing we would want to see is it boarded up," said Jino Distasio, director of the University of Winnipeg's Institute of Urban Studies. "We already have enough of that."

Distasio and Jones said that with the ongoing efforts to revitalize the downtown, this is probably an ideal time for a large property like the post office to be coming onto the market.

"I think there's a momentum that seems to be percolating in the downtown...," Distasio said, adding he wouldn't be surprised to see some kind of staged development unfolding on the site.

-- with files by *Gabrielle Giroday*

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 e-mail address below, or at 697-7254.

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