

Works starts on new office project in Montreal

BY ALLISON LAMPERT, THE GAZETTE MAY 3, 2011 10:54 AM

MONTREAL – Work has begun on a 35-storey tower that will contain Montreal's first new privately funded downtown office space since the early 1990s, Kevric Real Estate Corp. announced Tuesday.

Kevric and its partners say they're moving ahead with the \$100-million Altoria project, a fusion of 230,000 square feet of Class A office space with 25 storeys of condos across from Victoria Square.

With more than half the 160 condos sold, Kevric had no choice but to commit to the LEED (Leadership in Energy and Environmental Design)-certified project's 10 storeys of office space or risk delaying the delivery of Altoria's residential component in 2014. That's because the project is designed for the 600- to 6,100-square-foot condos to be above the tower's office component.

While not a new office tower, the 10 storeys would be the first injection of new downtown office space in years, at a time when Montreal's Class A vacancy rate is plummeting. Although companies like Bombardier Inc. and RSM Richter have considered the Altoria site, no tenants were announced for the project as of 10:10 a.m. Tuesday.

"Our decision to invest at this time is motivated primarily by the lack of Class A office space in Montreal," Kevric president Richard Hylands said in a statement. "Analysts estimate that in the next three years, the shortage of space offering more than 50,000 square feet will continue to grow."

Montreal's downtown office market vacancy rate has dropped to about six per cent during the end of the first quarter of 2011. By 2014, the rate would plummet to three per cent if no new office space is built, said Lloyd Cooper, senior vice-president of office leasing at Cushman & Wakefield, Quebec.

Over the last few years, Montreal has lagged behind other Canadian cities like Toronto and even Quebec City, where several new office towers have been delivered.

The Kevric project is one of several sites slated for downtown office development. Last month, Cadillac Fairview announced plans for a 27-storey office tower near the Bell Centre – but that project is contingent on securing leases for at least half of the office space.

Plus, Rio Tinto Alcan is examining several sites as it looks for space as the anchor tenant in a new LEED-certified building.

Kevric's announcement Tuesday is significant because Hylands is pledging to go ahead with the project, industry observers say.

"Now he's the first tower out," Cooper said. "For him, it's a competitive advantage because there's pent-up demand in the market. There's a shortage of contiguous blocks of space."

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