

THE WALL STREET JOURNAL.

May 30, 2014



BUILT ON 'GOOD BONES'
Cheryl Morgan purchased an old warehouse, shown in a composite photo, above, in Birmingham, Ala., for \$165,000 and spent about \$350,000 on renovations. A long glass wall separates the kitchen and living areas from the inner courtyard.

FROM WAREHOUSE TO THEIR HOUSE

Homeowners go industrial strength, turning commercial buildings into homes with historic charm, but construction challenges abound; polishing damaged plaster to highlight its aged patina.

BY CANDACE JACKSON

THE INTERIORS HAD PEELING PLASTER WALLS covered in layers of old wallpaper and paint. A leaky roof and mostly abandoned second-story required immediate attention. In short, the place was a wreck. And yet, "we really just fell in love with it," says Jay McKinney of his Birmingham, Ala., home.

Mr. McKinney, who handles operations for a financial software company, and Chuck Strahan paid about \$300,000 to renovate and convert the 19th century tobacco and candy shop into a residential property. The project, however, required some vision—and an acceptance of the building's quirks, says their architect, Mike Gibson of Applesseed Workshop. Instead of covering the damaged plaster, it was polished to highlight its aged patina. And the glass storefront was retained so the street view would be consistent

with the downtown surroundings.

"You get all the benefits of the old character, but everything's been updated," says Mr. McKinney, 50. Today, his 2,900-square-foot loft-like living space has an open-plan living room, as well as a roof deck.

Across the country, adventuresome and sometimes deep-pocketed home buyers are converting urban diamonds in the rough into one-of-a-kind residences with

Please turn to page M6

MANSION

FROM WAREHOUSE TO THEIR HOUSE

Continued from page M1

both modern conveniences and historic charm. Warehouse conversions are especially popular in space-crunched cities like New York, San Francisco and Chicago, where the available inventory downtown can't meet the demand for city living.

But the conversions come with countless challenges. Office or industrial buildings don't have the same plumbing, window or wall placement as a home. The wide-open layouts and exceedingly high ceilings that often make such spaces appealing can be a difficult to tackle. Then there are the surprises that come up along the way, like lead paint, asbestos tiles or unstable foundations that can make costs hard to predict.

"In many of these projects, the owner says halfway through, 'We should have torn this down,'" says Jim Poteet, a San Antonio architect who has handled many conversions. And costs can add up, particularly when unexpected headaches or delays emerge. "You don't do it for the economy that the existing building provides. You do it for the character."

At the same time, city planners love homeowners who are willing to take on commercial conversions.

Their efforts spark broader urban-revitalization projects that cash-strapped municipalities could hardly afford. Birmingham has seen a 36% increase in the population of the city's downtown business district since 2000, partly spurred initially by individuals taking on historic conversions, says David Fleming, the head of REV Birmingham, an urban-revitalization organization. "Even though this has been a growing trend downtown for a number of years, there has been a real attitude change about living downtown in the last 12 to 16 months," says Mr. Fleming. Individuals taking on such projects "set the stage for larger developers."

In 2012, New York-based developer Roy Stillman purchased a circa-1867 printing facility for \$45.9 million, with a cast-iron, brick-and-marble facade in New York's NoHo neighborhood. The brick had been covered with aluminum siding and then dozens of layers of paint, which Mr. Stillman says took nine months of chemical applications to remove. When the building conversion is complete in May 2015, the con-



RUSTIC TOUCHES In converting a Birmingham, Ala., warehouse, Cheryl Morgan retained the large columns and weathered hardwood floors. Above left, the master bathroom in the 3,200-square-foot home; at left, a view from the exterior.



SWIMMINGLY A former printing facility in Manhattan is being transformed into a 20-unit condo building, where units will range in price from \$3.5 million to \$25 million. Above, a rendering of one of the condos shows an indoor swimming pool.

dominiums will have gracious spaces, brick barrel-vaulted ceilings and dramatic, nearly wall-length arched windows. Units will also have new electrical systems and plumbing. To bring in natural light, plans call for a large, landscaped courtyard at the center of the building.

"I love the Sherlock Holmes aspect of this," says Mr. Stillman. "Something that is rare and pure is valuable. It's a case of spend money to make money," he says. The building's 20 units range from \$3.5 million for a two-bedroom, two-bathroom apartment to \$25 million for a four-bedroom penthouse with a private rooftop terrace; buyers so far have included the art collectors Alberto Mugrabi and Aby Rosen.

Jim Berkus, chairman of United Talent Agency, toured the construction site and says he likes that the warehouse character of the project will stand apart from the spate of sleek luxury high-rises of recent years. "It feels strong and old and solid like a wonderful tree that survived everything," says Mr. Berkus.



TALK Philadelphia architects Kevin Rasmussen and Vivian Su, above right with children Becca and Izzy, bought a contractor for \$420,000 and converted it, above and center right. They also retained some storage space in the back, at right.

ago they purchased a 40-foot wide contractor's shop in the same neighborhood for \$420,000. Though the place offered ample space, part of the roof had caved in, and there were cracked asbestos floor tiles and 1970s-era wood paneling that had to be removed. "It was gross—like, really gross. The Realtor wouldn't even go up there with us," says Mr. Rasmussen, 43 years old.

The couple spent just four months transforming what they call the "fortress with randomly placed windows" into a 2,200-square-foot home with three bedrooms, 2½ baths and an office for their firm. They left part of the ceiling exposed above the living room as a nod to the building's industrial past, but added skylights to brighten the back of the home. So far, they have spent nearly \$150 a square foot on renovations, or about \$300,000. (They say they probably saved about \$50 a square foot because they handled the design and general contracting themselves.) The home is probably valued at roughly \$1 million today, they say, based on recent appraisals. Next they plan to add a fourth bedroom and a landscaped courtyard.

Some converted spaces can have both commercial and residential uses. Cheryl Morgan, a 62-year-old archi-

67 years old. He decided to purchase a two-bedroom, two-bathroom pied-à-terre to live in when he's not at his main residence in Beverly Hills, Calif. Similar apartments were listed between \$3.75 million and \$5.5 million.

In cities where space is tight, buyers looking for ever-larger homes are getting more daring about the types of spaces they're willing to refashion. In Manhattan, for example, parking garages have become popular candidates for condo conversions, says real-estate agent Robert Dankner, president of Prime Manhattan Residential. He recently took a client to tour a 30,000-square-foot manufacturing facility that could be turned into a single-family home. "You are basically creating more inventory by turning commercial into residential," Mr. Dankner says.

In Philadelphia, architects Kevin Rasmussen and Vivian Su were looking for a house for themselves and their two young daughters that had more space than their previous 14-foot-wide row house near the Philadelphia Museum of Art. Several years



OLD IS NEW The bedroom of Jay McKinney and Chuck Strahan's Birmingham, Ala., home that was once a tobacco and candy shop. It cost about \$300,000 to convert the space into what is now a 2,900-square-foot home.

tect and professor emeritus at Auburn University's Urban Studio in Birmingham purchased an old building along the railroad tracks on the edge of the city's downtown. While the building "had good bones," it required some work to convert the back half of it into her home, and the front part into office space. The interiors had large columns, rustic hardwood floors and walls that included some faint graffiti—all of which she kept. She added an interior courtyard and a glass wall overlooking the space. The roughly 3,200-square-foot home has two bedrooms, and the building's office area is leased to Ms. Morgan's architects, Marshall Anderson and Kris Nikolich of Design Initiative.

In all, she spent about \$165,000 to purchase the building and about \$350,000 to renovate the residential portion.

The open nature of the living space has come with "some acoustic challenges," says Ms. Morgan, as well as a little difficulty heating and cooling the common spaces in certain conditions. But "most of the time I sort of pinch myself and go, 'Oh, I love it!'"

Kathleen W. Workman